U.S. TRAVEL AND TOURISM ADMINISTRATION AUTHORIZATION

HEARING

BEFORE THE

SUBCOMMITTEE ON
BUSINESS, TRADE, AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 212

TO AUTHORIZE FUNDS FOR THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

MARCH 2, 1983

Serial No. 98–12

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE
18-044 O WASHINGTON : 1983

5261-28

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U.S. TRAVEL AND TOURISM ADMINISTRATION AUTHORIZATION

WEDNESDAY, MARCH 2, 1983

U.S. SENATE,
COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:04 a.m., in room SR-253, Russell Senate Office Building, Hon. Larry Pressler (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Dennis Phelan, staff counsel; and John Hardy, minority staff counsel.

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. I will call this meeting to order. I want to thank the people who are here and various witnesses. I want to make an opening statement to start this year in the authorizing process, the process that goes through the budget committees and the appropriations committees to the floor of the Senate.

This year I have a goal to have 50 cosponsors to the bill we are talking about today, the authorization for the tourism function in our Government. Let me say, first of all, that there are a number of reasons for this.

In Congress we are talking about a jobs bill which costs several billions of dollars, and here we are talking about just a few million which will actually create more jobs than the jobs bill. We are going to have testimony on that this morning.

Also, coming from the State of South Dakota I have a special interest in this which I am very proud of. In our State tourism is the number two industry, with the attractions of Mount Rushmore and the Black Hills. Indeed, my wife and I just recently returning from a skiing trip in the Black Hills where we have a 1,200-foot vertical drop—if any of you are interested.

But we also have a variety of attractions in our State besides the Black Hills, ranging from some of the best trout fishing in the world and some of the best fishing on Lake Oahe, to some of the best hunting of pheasants and other game.

Also, nationally we have a great interest in creating jobs through tourism. The fact of the matter is that the bill we are talking about here today will create more jobs than the whole jobs bill which Congress is debating today in another chamber, and I hope we can inform the people on the street as to how important the tourism

and travel function is in terms of creating jobs, especially jobs for minorities and first-entry workers.

Also, we must think about attracting foreign tourists to the United States. It has become part of a liberal arts education abroad to visit the United States. Indeed, Herman Kahn says that by the year 2000 tourism may well be the world's leading industry.

As a member of the Foreign Relations Committee last week I asked Secretary Shultz some questions on tourism. He was testifying before the Foreign Relations Committee on the subject of the international economic situation and on the need to have a strong economy in the Western democracies to offset some of the high interest rate problems and other economic difficulties we are experiencing.

I asked Secretary Shultz if it would be possible to designate a Foreign Service Officer in each Embassy who would have responsibility for promoting tourism and travel. He responded to me in a very positive way and said that it would be something he would consider, especially having some training given by the Department of Commerce to Foreign Service Officers in the area of promoting tourism.

Right now we have at least two or three officers in every Embassy who are committed to working on exports, but we could bring dollars into the United States, and very clean dollars, through tourists coming here to visit our country. In the next 10 years we are going to have to compete in that area much more than we ever have before.

So certainly a portion of one Foreign Service Officer's time at each Embassy should be devoted to tourism and we should have people in each Embassy in the world who have attended a seminar, perhaps 2 weeks or a month long, which could be designed by the Department of Commerce. And we can do this without spending a penny.

We also have a worldwide communications system in our Embassies, and while we cannot use it for promoting private proprietary interests, we could list some of the points of destination in each State, and we could generally be much more aggressive in having our Embassies provide information about visiting the United States.

We have had a very cool attitude toward bringing visitors into our country. In fact, our popularity as a destination exists almost in spite of some of our rules and our attitudes. People on the street, whether they are in the Black Hills or New York City, must develop better attitudes toward welcoming foreign guests and visitors to our country.

The point is, we have got to reorient the Government's attitude and some of our thinking in order to compete for the international tourist. I think that is a very important goal. I know there is a movement underway to try to get the international soccer finals to the United States. That may sound far-fetched, but that is the leading spectator sport in the world, and we have got to compete for those things as we have not competed before.

Incidentally, I want to make a part of the record my exchange with Secretary Shultz on his thoughts on the role of tourism in our economy and on the possibility of designating at least one officer in

each of our foreign Embassies to work for an increase in travel and tourism trade to the United States.

His responses were quite positive as to the possibility of working out a program. I would like to see that result in new regulations or a policy directive from the Secretary of State to the various Embassies, and I would appreciate the support of the industry in this effort.

In response to my question:

If such designation were made, could we also implement a training program to help those officers in the performance of their duties? The answer from Secretary Shultz was, Whether or not specific officers are designated, it would be desirable for the U.S. Travel and Tourism Administration to develop a training and operational manual for the guidance of all officers involved in tourism promotion and facilitation.

Under Secretary McCoy, you probably did not know the Secretary of State gave you a job here. Secretary Shultz went on to add, "We would also consider including suitable training materials to develop appropriate Foreign Service Institute courses and so forth." There are about 6 pages of questions and answers and, without objection, I would like to put those in as part of this hearing.

[The information referred to follows:]

Senator PRESSLER. As Chairman of the Senate Subcommittee on Business, Trade and Tourism, and the Foreign Relations Subcommittee on Arms Control, Oceans, International Operations, and Environment, which has oversight responsibility for foreign operations, I have been in a unique position to see first-hand the great impact of foreign tourism trade on our nation's economy and foreign relations—or maybe I should say the potential for a great impact.

In recent years, America's share of the world tourism market has been declining at a very discomforting pace. Our share of the world tourism market has declined from 13 percent in 1976 to 11.5 percent today. This represents about 43,000 jobs for American workers, one and one-half billion dollars in receipts, and about $233 million in federal, state and local taxes. These figures give some indication of the economic importance of foreign tourism trade. Sadly enough, the economic importance of tourism is grossly underrated.

But even less attention is paid to the importance of tourism in enhancing and stabilizing foreign relations. The more foreign visitors we can encourage to come to America, the more America, and what America really symbolizes, will be understood by our foreign neighbors. Increased understanding of our country and our people will, in itself, be a great step toward ensuring world peace and harmony.

It is in this light that I would like to ask Secretary Shultz a few questions about the possibility of helping to promote America through our State Department offices abroad.

Question. Secretary Shultz, what are your thoughts about the role of tourism in our economy and our foreign relations?

Answer. Clearly the tourism and travel industry occupies a prominent position in our economy. In 1982 it became the second largest retail industry in America in terms of gross sales and employment. Travel in the U.S. now accounts for more than 200 billion dollars in domestic and foreign visitor spending, about 6 percent of our gross national product. It generates substantial employment, accounting for 18 percent of all new jobs in 1981. The industry employs directly 4.6 million Americans at every level of skill and an additional 2.3 million workers indirectly, generating over 40 billion dollars in wages and salaries annually.

Tourism can play an important role in enhancing our foreign relations. Increased and less inhibited international travel of people from all nations for the purpose of cultural exchange, recreation and trade leads to understanding, friendship and ultimately to greater prospects for world peace. Tourism and travel to the United States is a valuable method of fostering appreciation of the values of democracy, freedom and human dignity.

Question. Would it be possible to designate at least one officer in each of our foreign embassies to work for an increase in travel and tourism trade to the United States? Some of the specific responsibilities of these officers would include the pro-

motion of travel to the U.S., informing foreigners about all that the U.S. has to offer, and facilitating and expediting foreigners' U.S. travel plans?

Answer. In accordance with the significant economic and foreign relations impact of tourism and travel to the U.S., our Ambassadors and their staffs are and will remain involved in tourism promotion and facilitation.

Scarce resources preclude assignment of individual officers at our posts abroad as tourism attaches to devote full time to the tourism promotion effort. Commercial, economic and consular officers now are jointly responsible for this function in addition to their other duties.

In the 66 largest markets for American goods and services, offices of the foreign Commercial Service (FCS) of the Department of Commerce have principal responsibility for tourism promotion with support as required from consular and other mission sections. State Department economic/commercial officers have the lead in promoting increased travel to the U.S. in the remaining 73 countries. We will be pleased to explore with the Commerce Department the feasibility of designating a specific officer at each embassy or consulate as principal tourism promotion officer along with his or her other responsibilities.

In six key countries in which the U.S. Travel and Tourism Administration operates field offices, staffed by travel promotion officers with wide regional responsibilities, our missions provide administrative support, while commercial, consular, economic and information officers work closely with their USTTA colleagues to coordinate overall program activities.

Question. If such designation were made, could we also implement a training program to help these officers in the performance of their duty?

Answer. Whether or not specific officers are designated, it would be desirable for the U.S. Travel and Tourism Administration to develop a training and operational manual for the guidance of all officers involved in tourism promotion and facilitation. We will also consider including suitable training material developed in appropriate Foreign Service Institute courses.

Question. Finally, Secretary Shultz, as someone who has great experience in the international field, do you have any further suggestions or comments on increasing foreign travel and tourism trade in the United States?

Answer. In addition to expanding our promotional campaign in support of increased tourism and travel to the United States, we should strengthen our efforts to eliminate barriers which currently inhibit free and easy movement of all peoples—tourist and business travelers—to the U.S. and around the world.

The State Department has initiated visa waiver legislation which for the first time has been supported by all relevant departments of the Executive Branch. It was part of the Omnibus Immigration Bill passed by the Senate but not by the House in the 97th Congress. Enactment in the current session is essential if new procedures are to be in place in 1984 for the summer Olympics in Los Angeles and the Louisiana World Exposition in New Orleans.

The U.S. chairs the Working Group of the Organization for Economic Cooperation and Development's Tourism Committee, which has assembled and will define major barriers to international tourism with the intent to lead to their eventual elimination.

Also, we should continue support of the World Tourism Organization where the USTR is currently developing, in close conjunction with State and Commerce, an analysis of issues affecting world tourism. We intend to work for the removal of obstacles inhibiting an integrated tourism and travel industry.

Senator PRESSLER. Senator Hollings has an opening statement which we will place in the record at this point.

[The statement follows:]

OPENING STATEMENT BY SENATOR HOLLINGS

At a time when unemployment is near the highest it has been since 1940, and our economy is severely depressed, some of us in Congress feel it is not unreasonable to authorize $13 million on a Government program which has a dollar cost/benefit ratio of 18.6 to 1. Especially when that program promotes an activity which contributes $182 billion annually to the economy, generates over 6 million jobs, $9.3 billion in Federal tax revenues, $6.6 billion in State tax revenues, and $2 billion in local tax revenues.

Even though Congress has mandated otherwise in the National Tourism Policy Act, the administration has taken the position that funding for the programs of the Travel and Tourism Administration [USTTA] should come from the private sector.

Otherwise how could it recommend a $5.4 million budget for the agency? That amount will only pay the rent and salaries for its six overseas offices. It leaves nothing for marketing and promotion programs, and is therefore the functional equivalent of no funding. The fact is, the Federal Government receives more money in tax revenues from foreign visitors in 5 days than it spends on USTTA in 1 year.

We in Congress agree with the administration's contention that the primary responsibility for funding international promotion and marketing belongs to the private sector. But that does not mean the Federal Government has no responsibility. We are talking about $13 million as the Government's share, at a time when the Sheraton Corp. alone, for example, spent $40 million worldwide to promote international tourism. The other large corporations—airlines, hotels, rent-a-cars, et cetera—spend on a similar scale.

By any standard, expenditures of this magnitude clearly show that the private sector is doing its part. It is the Federal Government who is reneging on its commitment, as expressed in the National Tourism Policy Act, when it proposes to fund USTTA at $5.4 million.

This position becomes even harder to understand in light of the unprecedented number of bankruptcies among small businesses. About 98 percent of the travel industry is small business. Those businesses are not only the beneficiaries of increased international tourism, they are unable, in the words of the administration, "to bear the primary responsibility for marketing and promoting it."

I believe S. 212 is a good bill, and that the committee should consider it expeditiously.

Senator PRESSLER. I see that two of my colleagues have arrived. Let's now hear from Senator Inouye and then Senator Warner.

OPENING STATEMENT BY SENATOR INOUYE

Senator INOUYE. I would like to thank the champion of tourism, our distinguished chairman, for this opportunity to express myself once again.

Mr. Chairman, when Congress enacted the National Tourism Policy Act of 1981, it committed the Government to promoting and marketing the United States as an international tourism destination and established the U.S. Travel and Tourism Administration as its chief instrument for doing so. The act also committed the Federal Government to funding that agency at realistic levels. Otherwise, this act and the policy to which it commits the Government are meaningless.

The National Tourism Policy Act was the result of 6 years of investigation and study by this committee. During that time, hundreds of experts were interviewed, numerous hearings were held, and several voluminous reports were made. The issues were, therefore, thoroughly studied, and our committee had acquired considerable knowledge about travel and tourism, its importance to national and international economics, and what was necessary if we were to gain a substantial share of the lucrative but highly competitive international market.

We know, for example, that the private sector of the U.S. travel industry spends large amounts on its own marketing efforts, but so does the private sector in other countries which compete for the international market. We also know that 98 percent of our travel industry consists of small businesses, and they do not have the resources for international promotion.

And we know that over the past few years the Federal Government has spent an average of $8 million funding its national tourism organization, and that, according to the World Tourism Organization, we rank 27th among nations which have reported their expenditures in 1981.

Mr. Chairman, I have a roster of these nations. I would like to ask that they be made part of the record, sir.

Senator PRESSLER. Without objection, it is so ordered.

[The information referred to follows:]

	Millions
1. Czechoslovakia	$149.1
2. Turkey	62.1
3. Greece	57.8
4. Spain	57.2
5. Belgium	44.6
6. Korea	30.6
7. Venezuela	30.0
8. Canada	29.0
9. France	27.8
10. Singapore	24.3
11. Italy	20.5
12. Bahamas	20.2
13. Peru	20.1
14. Colombia	17.3
15. Brazil	16.1
16. Germany	15.8
17. Syria	13.8
18. Netherlands	13.7
19. Jamaica	12.8
20. Indonesia	11.3
21. Australia	11.1
22. Hong Kong	10.6
23. Malaysia	10.0
24. Bermuda	8.9
25. Libya	8.8
26. Finland	8.5
27. United States	8.0

Senator INOUYE. I would just like to pick out a few examples of what I mean by expenditures by other countries. Czechoslovakia, which does not rank with the United States as a tourism destination, spent in 1981 $149.1 million. Belgium spent $44.6 million. The Bahamas—little islands—spent $20.2 million. Peru, $20.1 million. This may surprise you: Syria, which is supposed to be a war-torn country, $13.8 million. Jamaica—another little island—$12.8 million. And we spent $8 million.

Finally, we know that the dollar return on Federal expenditures to promote international tourism has been documented at 18.6 to 1. All we ask for in public works projects is to have a 1 to 1 cost-benefit ratio. Here the benefit-cost ratio is $18.6 for every Federal dollar we invest; and tourism today is a $182 billion industry generating six million jobs.

The amounts authorized by S. 212 would enable this agency to continue proven programs which it will have to discontinue under this proposed $5.4 million budget. Including, for example, the port receptionist program, which provides multilingual assistance to non-English-speaking foreign visitors at 12 major U.S. ports of arrival to facilitate their entry and provide a warm, hospitable welcome to the United States.

Mr. Chairman, I am certain we are all aware that although this country is the most sought-after destination point, we do not always provide a warm, hospitable welcome to those who come to our shores. In fact, even in a large city like New York—a cosmopolitan, continental type city—very few hotels have services and

facilities who cater to our foreign visitors. Oftentimes, they feel unwelcome. After going through our customs line, and our immigration line, some vistors are just about ready to turn around and go home. I could relate to you some of the experiences I have had while I was chairman of this subcommittee. If they do that to me, imagine what they do to others.

There is also another proven program which I think should be supported, and that is the media services marketing operations. Under it the agency arranges with professional media services at each of its six overseas locations to create, develop, and manage the placement of travel articles and editorial materials for extended consumer coverage.

Last year, a modest $450,000 was spent for all of the overseas offices, and this resulted in $68 million of equivalent advertising space. Now that is the way business should be done, and our agency has been able to do that, and I think the least we could do is to encourage it.

There is another program which I feel should be supported, and if I may, I will ask consent that it be put in the record.

[The information referred to follows:]

Mail house services system for the control, storage and distribution of informational services produced by USTTA, and by regional, State and local public sector entities. In 1983, this will involve the movement of 250,000 to 400,000 units of material for redistribution by the trade at each of USTTA's six overseas offices.

Senator INOUYE. The amounts authorized by S. 212 would also enable the agency to reinstitute, at a modest level, other programs which have proven highly successful in the past, such as the tour development program. Now this is the programs where we have had a documented, measured cost-benefit ratio of 1-to-18.6. It was a joint promotional project initiated by each of the 6 overseas offices with major tour wholesalers. It developed new tours which included new attractions and destinations in the United States.

I do not know why we wanted to do away with this. This is a job that requires professional staffing and there are many who are professionals who are ready and willing to work in that area.

And there was another service called the Consumer Service Bureau. Believe it or not, we have a lot of walk-in trade and I think we should be able to cater to these people. Also, a small Washington staff, just three, to provide technical assistance and advice and liaison with States, cities and the travel industry personnel with respect to data, international marketing intelligence and other information.

There are those who say it is not necessary for the U.S. Government to spend money to promote the United States because everyone knows about America, everyone knows about the bastion of democracy, and everyone wants to visit us. While it may be true that the United States is the country most people want to visit, and the statistics show that, the fact remains that the U.S. share of world tourism receipts has declined in 1981, from 13 percent in 1976 to 11.5 percent in 1981, and that one average developed country in the world receives over three times the market share received by the United States on a per capita basis. Keep in mind that our per capita share was five cents in 1981. An Austrian citizen is getting 76 cents of the world international tourism receipts; Swiss, 48

cents; Danes, 24 cents; Greeks, 20 cents; the Portuguese, 10 cents; and, believe it or not, Icelanders are getting 10 cents—and we are getting 5 cents.

So I would hope that we will recognize, as you have, Mr. Chairman, that international tourism is highly competitive. We must work for our share of the market and that includes funding this agency at realistic levels. I believe that S. 212 is a good beginning.

Thank you very much.

Senator PRESSLER. Thank you very much, Senator. You have been at the forefront of this effort for years, and indeed your efforts on this bill are very commendable and I applaud you and I am very proud to try to fill your shoes as Chairman of this subcommittee.

Senator INOUYE. Thank you.

Senator PRESSLER. We will now hear from Senator Warner, who is Chairman of the Tourism Caucus and a very great spokesman for tourism, and also my neighbor in the Russell Building.

STATEMENT OF HON. JOHN WARNER, U.S. SENATOR FROM VIRGINIA

Senator WARNER. Thank you, Mr. Chairman. I feel very much at home here in this chair, having been a member of this committee at one time. I see my distinguished friend and colleague from Hawaii here. We served together on the previous subcommittee that covered tourism here in this committee.

Mr. Chairman, I would like to request that my statement be submitted for the record. I listened very carefully to the opening comments of the Chair and the ranking minority member. Indeed, much of the testimony that I had intended to provide today was covered very carefully by both of you.

There is only one statistic that I have in my statement that may be germane, and that is our calculations were, for each dollar Government has put into travel promotion $436 is generated in travel spending. And, to me, that is a very persuasive argument for additional funding, as recommended by the Chair.

I would wholeheartedly support the budgets that the Chairman and, I presume, the ranking minority member have included in the fiscal year 1984 proposal.

I will close with just 2 or 3 minutes of philosophical observations. I have found in my public service the support of tourism to be one of the most rewarding goals that I have ever endeavored to work with. I started, as you recall, as the National Director of the Bicentennial under President Ford and, quite frankly, was unsuccessful in persuading him, even on a one-to-one basis during the many colloquies that we had in the Bicentennial period, to augment funding, and then again with President Carter and now with President Reagan.

I leave here momentarily to go to the Armed Services Committee where, quite frankly, we are considering a budget for this year's military expenditures in excess of a quarter of a trillion dollars—$250 billion-plus. And to think of the benefits that we gain, as pointed out by both of my distinguished colleagues here this morning from the visitors coming to our shores, seeing our way of life

and then going back home to generate those thoughts and ideas among their friends and family and others, I just think that the budget you have here is roughly the cost of one of our military airplanes.

I will support you to the hilt on this to see what we can do. If we are more successful in this area of foreign relations, maybe we could justify a little less emphasis in the national defense. So I wish you well and I will support you not only in the committee but on the floor.

Thank you very much.

[The statement follows:]

STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR FROM VIRGINIA

Mr. Chairman, members of the Committee.

As an author of the National Tourism Policy Act, I feel a natural obligation and duty to appear before you today to speak in behalf of S. 212, the bill sponsored by Senator Pressler providing multi-year authorization for the U.S. Travel and Tourism Administration.

Special commendation should be extended to you, Mr. Chairman, for your initiative on this issue.

Foreign travelers are a major source of income for America's travel industry. America's travel industry is a major source of employment and tax revenue for local, state and national economies. Unfortunately, America is missing the boat. Vast numbers of foreign travelers are not coming to the United States because the United States is not doing enough to encourage them to come.

Our intention, when the USTTA was established, was to mount a federal government-coordinated effort to encourage peoples from other nations to travel in the United States.

We had learned, through our experience during the Bicentennial, the value and importance of foreign travelers. We also came to recognize the need and the effectiveness of a national travel promotion program.

At a time when our nation is badly in need of creating literally millions of new jobs—

At a time when our nation is badly in need of generating literally billions of dollars in new tax revenue, and

At a time when our nation's trade is so badly out of balance, the small investment required of our federal government to encourage more U.S. travel by world citizens is but a small price for such a large reward.

Who among us, Mr. Chairman, can deny that the United States is losing ground in this battle for foreign travelers?

Who among us can deny that the United States is becoming less competitive in the foreign travel market with each dollar it withdraws from its world travel promotion efforts?

A brief look at the comparative statistics is very revealing.

In 1981, among major travel oriented nations, the United States ranked the lowest in dollars spent by their national tourist offices for international travel promotion. And among those same nations, the United States earned the least in per capita international travel receipts.

Clearly, this is a case of, "you get out of it what you put into it," and we are not putting in what we should. For each dollar governments put into travel promotion, they generate $436 in travel spending. How much more persuasive need their argument be?

The proposal you have put forth is a reasonable one. It would afford the United States an improved posture among world destinations, and it would provide the USTTA the monies needed to enable America to compete in a respectable manner.

The return on this investment would be worthwhile, and, as co-chairman of the Senate Tourism Caucus, I will do everything I can to see that the investment is made.

Senator PRESSLER. Thank you very much, John, for your support. I might say you are a cosponsor, I believe, of the bill. Is that correct?

Senator WARNER. That is correct.

Senator PRESSLER. I am going to describe the bill just briefly here. I must say that I am somewhat surprised that an administration which emphasizes its commitment to running the Government as a business continually fails to see the investment opportunities inherent in international travel promotion.

We know that funds spent by the U.S. Travel and Tourism Administration help bring money into the country and into Federal, State and local coffers. If cost-effectiveness is the primary measure of a program's success, then I suggest that the U.S. Travel and Tourism Administration has been very successful for years. In light of this success, it follows that we should be allocating additional funding to this function.

It was with this in mind that, along with Senator Inouye and others, we introduced S. 212 on January 26. This bill, which now has 21 cosponsors, provides a 3-year reauthorization for the U.S. Travel and Tourism Administration at $13 million, $14 million, and $15 million over the period.

While these amounts do represent increases from the past several years, when you factor for inflation we find that this still leaves the U.S. Travel and Tourism Administration budget considerably below the $13.5 million which was appropriated in 1979. I always like to make that point because the USTTA has actually taken a cut from 1979's level.

What this legislation means, therefore, is that while we are not providing the optimal funding level, we are at least turning the tide in the proper direction. We are finally increasing the level of Federal investment for travel promotion.

[The bill follows:]

II

98TH CONGRESS
1ST SESSION

S. 212

To authorize funds for the United States Travel and Tourism Administration.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. PRESSLER (for himself, Mr. WARNER, Mr. SASSER, Mr. INOUYE, Mr. HOLLINGS, Mr. HEFLIN, Mr. RIEGLE, Mr. FORD, Mr. LONG, Mr. EXON, Mr. JOHNSTON, Mr. HUDDLESTON, Mr. LEAHY, and Mrs. HAWKINS) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To authorize funds for the United States Travel and Tourism Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 304 of the International Travel Act of 1961 is amended by inserting the following immediately before the period at the end thereof: ", $13,000,000 for the fiscal year ending September 30, 1984, $14,000,000 for the fiscal year ending September 30, 1985, and $15,000,000 for the fiscal year ending September 30, 1986".

Senator PRESSLER. The first witness will be Under Secretary McCoy—Peter McCoy. Peter has done an outstanding job in the face of what could understatedly be called difficult circumstances. Secretary McCoy.

STATEMENT OF PETER McCOY, UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Secretary McCOY. Thank you, Senator. I have with me David Edgell of our Policy Office. Also, if I may, I would like to submit my formal statement for the record and summarize.

Senator PRESSLER. Without objection, it is so ordered.

Secretary McCOY. Thank you.

Mr. Chairman and members of the subcommittee, I am pleased to be here to make the case for reauthorization of the U.S. Travel and Tourism Administration and to discuss some of our plans and accomplishments.

Our primary goal is to increase U.S. foreign exchange earnings in real terms. Our strategies are to increase the number of U.S. travel sellers who are active in the VISIT U.S.A. market, maintain an official U.S. presence in the marketplace in support of the private sector, and to reduce Government-imposed impediments to international tourism.

To increase the number of U.S. tourism exporters, we will continue cooperative efforts with the Foreign Commercial Service, conduct field seminars for new-to-market travel sellers covering topics such as market selection, marketing strategies, structure of the foreign travel trade, and how to organize a successful trade mission.

We will additionally speak to local and regional travel groups to increase their awareness of foreign market opportunities and of USTTA and Foreign Commercial Service services.

Our share of international tourism receipts should grow more if the U.S. travel industry aggressively seeks international business. At the same time, however, there must be an official U.S. presence in the marketplace in the form of travel information and liaison offices. Without facilitative and catalytic support abroad, the U.S. travel industry would be disadvantaged in the marketplace. Their foreign counterparts and competitors are supported by national tourist offices, and the vast majority of all Asian, European, and Western Hemisphere countries maintain tourism field offices abroad.

Competition between national tourism administrations is formidable. Fifteen countries account for most of the world's tourism expenditures. There are more than 170 national tourism organizations. Most are competing for the tourism business of the 15 principal generating countries. In the United Kingdom, alone, the U.S. travel industry vies for business with the national tourist offices and companies of 68 other countries. Fifty-two foreign countries maintain national tourism field offices in the Federal Republic of Germany, and 48 maintain offices in France.

Today, competition for international tourism business is not simply between companies; it is between governments. USTTA maintains offices in six major tourism-generating countries which

account for 77 percent of U.S. tourism receipts. In other markets, tourism responsibilities will continue to be assigned to Foreign Commercial Service officers, assisted by local VISIT U.S.A. committees.

The administration's authorization bill will include various items whereby we will take advantage of the benefits of relationships with other Federal agencies.

Last year, U.S. receipts from foreign visitors fell 4 percent. This was due to a stronger dollar, coupled with global economic recession. Our share of global international travel spending dropped a full percentage point, to only 11.7 percent. Due to the drop in our international tourism earnings, the number of jobs in the tourism sector decreased by an estimated 28,460 jobs. Federal, State, and local tax revenue from tourism fell to somewhere around $45 million.

I am convinced that the program that the U.S. Travel and Tourism Administration proposes to undertake in 1984 will help the United States to regain its market share. I can assure you that my agency's record of achievement is a solid one.

Last year we obtained 35 international congresses, which will bring earnings of $31 million for U.S. cities. We serviced 647,000 public and travel trade inquiries about U.S. tourism facilities and destinations. We organized or assisted 85 travel missions, arranged inspection visits enabling more than 3,100 foreign travel agents to view U.S. travel facilities and to negotiate with prospective U.S. travel suppliers.

We arranged similar inspections for more than 1,700 journalists who wrote stories about U.S. travel opportunities which, if purchased as paid advertising, would have cost $46 million. We obtained destination coverage valued at almost $28 million. We concluded a memorandum of understanding with China permitting two American companies to become the first non-Chinese tour operators to do business in that country.

Additionally, we initiated an in-flight survey which will provide the United States and the U.S. travel industry with more reliable destination level data on international visitors and visitor spending in this country.

In the months ahead, we hope to implement the program I have described to you and to work with other agencies to reduce governmentally imposed barriers to international trade in tourism. Increased inbound tourism would spur our economic recovery and employ more U.S. workers. It would serve our national interest and benefit all Americans.

Thank you.

Senator PRESSLER. Thank you very much.

Mr. Secretary, despite the fact that Congress has, time and again, expressed its support for the functions of USTTA, the administration continues to propose funding levels which are obviously inadequate for you to carry out the mandate of your job outlined in the National Tourism Policy Act.

Can you explain why it is that congressional intent is being ignored in this area?

Secretary McCoy. I think that, in view of the various budgetary constraints and deficit problems that face the administration, it was felt that perhaps we could do with less.

Senator Pressler. Are you able to carry out the functions of your offices here and abroad with the money you presently have?

Secretary McCoy. We will be able to carry out certain aspects of what we currently do and, additionally, will have to look to other sources of funding for the remaining programs.

Senator Pressler. As a followup to enactment of the National Tourism Policy Act, could you please outline the activities and accomplishments of the Tourism Advisory Board and the Cabinet-level Interagency Coordinating Council on Tourism?

Secretary McCoy. Yes. The Travel and Tourism Advisory Board met two times last year and once already this year—and it has expressed strong support for our visa waiver legislation and support for the tourism policy research, and marketing programs.

Additionally, the Board rejected a proposal by USTTA on various aspects of alternate funding and opposed any import fees on petroleum.

The National Tourism Policy Group has worked quite well on several matters of import to local and regional tourism interests. We were able to raise a matter with the Coast Guard with respect to a ship anchorage in the Mississippi River opposite an ante bellum plantation with national historic status, for example. We have expressed our deep concern to INS and U.S. customs facilities at various ports of entry. We have established a Policy Committee on Facilitation which is monitoring efforts to simplify customs processing, cooperating on visa-waiver legislation, and working to reduce impediments to the operation of U.S. tourism-related firms abroad.

Senator Pressler. This committee, as you know, has requested an analysis from the USTTA of what its marketing activities would be, assuming the availability of a $13 million budget. This analysis is in addition to the marketing plan already required by Public Law 97-63. Can you give us an idea of when the committee might see this material?

Secretary McCoy. Our detailed marketing plan will be available in a couple of weeks, and I might add that I have been advised by the Office of Management and Budget that we would not be permitted to comply with the request to submit a marketing plan at any funding levels above that proposed by the administration.

Senator Pressler. OMB will not allow you to do that?

Secretary McCoy. That is correct.

Senator Pressler. I am going to repeat a question I recall asking at last year's hearing. The question is: If you are only funded at the level requested by the administration, will you be able to carry out your duties, as specified in the National Tourism Policy Act?

I believe, last year, you answered in the negative, but how can we operate these offices and carry out the mandate of the law with the budget the administration is proposing here?

Secretary McCoy. Well, certainly at the reduced funding level, you cannot carry out programs as efficiently as they were carried out at a higher funding level. At the proposed funding level for 1984, we will make every attempt to deal more directly with our

overseas staffs and have them do more direct work. We will have to sacrifice some of the existing field programs.

Senator PRESSLER. On the question of the marketing plan, how does it work when OMB tells an agency not to respond to a congressional request? Do you send the request over to OMB for clearance, or to the Secretary of Commerce? If this committee asks the Secretary of Commerce what he would do with a $13 million budget, does OMB write to the Secretary of Commerce and say he cannot answer that?

Do they have a directive, or do they tell you orally? Who, over at OMB, said you could not make a projection?

Secretary MCCOY. We received a memorandum, which we can supply to the committee that reflects the number and the framework for that directive.

Senator PRESSLER. Do we have that memorandum? OK, we would like to have that memorandum.

[The information follows:]

[Circular No. A-10, Revised Transmittal Memorandum No. 1]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., March 29, 1982.

To the heads of executive departments and establishments.
Subject: Responsibilities for disclosure with respect to the budget.

This transmittal memorandum amends paragraph 4.d of OMB Circular No. A-10, revised, dated November 12, 1976. Paragraph 4.d is changed to read:

4.d. In responding to specific questions on program and appropriation requests, witnesses will refrain from providing plans for the use of appropriations that exceed the President's request. Witnesses, typically, bear responsibility for the conduct of one or a few programs, whereas the President must weigh carefully all of the needs of the Federal Government, and compare them against each other and against the revenues available to meet such needs. Where appropriate, witnesses should call attention to this difference in scope of responsibility in explaining why it is not proper for them to support efforts to raise appropriations above the amounts requested by the President.

This change is effective immediately.

DAVID A. STOCKMAN, *Director.*

Senator PRESSLER. OMB certainly exercises a great deal of power over the traditional Cabinet agencies, but I did not know that they could even tell them they could not respond to a congressional request on speculation about how a budget would be used. I am learning new things every day in Washington, D.C.

Let me ask you about my questions to Secretary of State Shultz. This is an area where maybe we could work together without spending a lot more money. In terms of giving some of our Foreign Service officers additional training, could your Department provide a 2- or 4-week training course on how our Embassies could get more involved in supporting the travel industry and bringing more tourists into the United States?

Secretary MCCOY. Most certainly, and we do have much of that program in place. In our secondary markets, those markets outside of the six countries where we have offices, we do work very closely with the foreign commercial service officers. We organize seminars in those countries. We also encourage various travel missions to go to these areas in an effort to promote and directly sell their destinations to travel wholesalers and retailers.

The foreign commercial service officer works very closely with what we call a VISIT U.S.A. committee, which is comprised of the U.S. travel and tourism operators in his market. Primarily, those would be the American carriers, rent-a-car companies, hotel chains and the like.

Senator PRESSLER. We would probably have to increase funding somewhat, but there are not that many Foreign Service officers worldwide. This would be something perhaps that could be done in midcareer or done during Foreign Service Institute training. You would not have to substantially increase your budget to do that, but you would probably need some increase, wouldn't you?

Secretary MCCOY. We probably would not need a meaningful shift of our funds to accomplish that purpose. But you have to remember that most of the visitors to the United States currently come from markets where we already have full field operations. Those would be where we would want to concentrate our primary efforts. Industry has been very helpful in funding programs in the secondary markets.

So, we are developing a secondary market at little cost to the Government now.

Senator PRESSLER. I have some additional questions which I will ask for the record, but one final question. Mr. Secretary, we both attended the recent Travel Unity dinner which featured an audio-visual presentation on the travel and tourism industry. That presentation, in my opinion, provided an excellent overview of exactly what the tourism industry is and the extent of its economic importance and how many jobs it creates.

I feel it would be beneficial for some of our high-ranking Government officials to see this film. It is, I believe, 7 minutes in length. Do you think it might be possible through the interagency Travel and Tourism Council and your efforts to present this film to some of the Cabinet members whose departments have the most involvement in travel and tourism? I am thinking specifically of the Commerce, Transportation, Treasury, and State Departments.

It might also be a good idea for David Stockman to see the film. What are our chances of having a showing? I thought the film was a good summary of the impact on jobs, and I say that very seriously because at the same time we are sitting here other committees are meeting on a jobs bill that will cost billions of dollars.

Could you try to at least be sure that the Secretary of Commerce sees that film?

Secretary MCCOY. Certainly. I will request that a number of people look at it. I also felt it was a very objective and fine presentation.

Senator PRESSLER. Mr. Secretary, you are, I think, doing the best you can under very difficult circumstances. I know that you are part of the administration and you are in a difficult role, but I do disagree very, very strongly with the program that you bring us. I say that very strongly, and I will work to get 50 cosponsors for my bill so that we can change the current administration policy.

We already have 21 cosponsors, that is a fifth of the Senate, and many of those are strong supporters of the administration. But there is something wrong here in the approach we are taking.

My colleague, Senator Inouye.

Senator INOUYE. Thank you very much, Mr. Chairman.

I have had the privilege and sometimes the agony of serving with, I believe, seven of Secretary McCoy's predecessors. So you are the eighth that I have had the privilege of serving with.

Of these eight, Mr. Chairman, Under Secretary McCoy has been one of the best we have had. He has done a good job, even with his hands tied behind his back. He has been extremely candid with us this morning in explaining to us his predicament. If we sit by and do nothing about this, it would mean that notwithstanding an action on the part of the Congress appropriating some $14 million, he will not be permitted to spend more than $5.4 million.

Is that not correct?

Secretary MCCOY. I am not sure exactly how all of that works. I know we have been advised that we should not address in our marketing plan any disbursement of funds above and beyond that which the administration is recommending.

Senator INOUYE. Apparently, Mr. Chairman, there is in OMB a faceless person who is an expert in tourism, much more than any one of us here, and he has decided what is best for this country. I would like to suggest most respectfully, Mr. Chairman, that this committee do something we did a few years ago.

Will you invite that man in OMB who is making the decisions on tourism? I would like to hear from him, and I am certain he is going to refuse at first and, if that is the case, we will press the issue, as we did the last time.

Senator PRESSLER. Senator Inouye, I would support that.

Senator INOUYE. I think it would be of great interest to us. We did something unprecedented when we had this young fellow come before us, a very brilliant young fellow but his expertise in tourism, if I recall, was that he had had five flights across the country.

Senator PRESSLER. Who is it in OMB who handles tourism? Who is the person? Who is the proper person at OMB? Do you know who it is?

Mr. JUKES. I am the staff guy right here. I am not an administration policy official, but I would be glad to answer your questions at the staff level, if I can.

Senator PRESSLER. OK. Well, why don't you come up to the table here and join the Secretary?

Senator INOUYE. Certainly, Mr. Chairman, if OMB insists upon tying Secretary McCoy's hands, I will call upon my friends in the Appropriations Committee to do something that we are most reluctant to do, and that is to put some legislation in demanding that your agency come forth with a marketing program and mandating your agency to spend an amount to implement that program.

And then we will have an unfortunate confrontation, but we will see the way the chips will fall.

If I may, may we ask our new witness a question?

Senator PRESSLER. What is your name and your position?

Mr. JUKES. My name is Jim Jukes—J-u-k-e-s.

Senator INOUYE. And you are a member of OMB?

Mr. JUKES. I am a budget examiner at OMB.

Senator INOUYE. You are the one who is telling Secretary McCoy not to spend more than $5.4 million?

Mr. JUKES. No; I should make it clear that I am not an administration official. I am a staff person who advises various policy officials at OMB.

Senator INOUYE. We want the person who sets the policy and dictates to Mr. McCoy.

Senator PRESSLER. Who is the person who sets the policy?

Mr. JUKES. Well, there are several people. Obviously, the Director is Mr. Stockman. The other political level officials are the Deputy Director, Joe Wright. There is an Executive Associate Director, Don Moran, and then there is an Associate Director of OMB for Economics in Government.

Senator PRESSLER. But at what level is the decision made? Who would you like the committee to call? We will call whoever you like. Who is the policy level person?

Mr. JUKES. Well, all of them are involved.

Senator PRESSLER. Who is John Dyer?

Mr. JUKES. John is my immediate boss. He is a career civil servant.

Senator PRESSLER. OK. Now who is immediately above him?

Mr. JUKES. Immediately above him is Joyce Walker, who is also career. She is Deputy Associate Director. And the Associate Director is the lowest level political appointee. That job was held by Annlise Anderson until about 2 weeks ago and it is now vacant. There is an acting in there until it is filled.

Senator INOUYE. Mr. Chairman, the person I would like to meet with and chat is that person who told Mr. McCoy "thou shalt not spend more than $5.4 million."

Mr. JUKES. Well, technically that is the President who does that. It is the President's budget. The President signs the physical document that goes to the Congress and all these things are done in the President's name.

Senator INOUYE. I have been told that Mr. Joseph Wright is the person.

Mr. JUKES. He has certainly played a role in this, yes. I am sure he could come and answer some questions.

Senator INOUYE. Let's get Mr. Wright here.

Senator PRESSLER. Yes; could we request Mr. Wright to appear before the committee? I will do that right now. Could you transmit that?

Senator INOUYE. Mr. Chairman, I have many questions I would like to submit to Secretary McCoy and to other witnesses. Regretfully, I must leave the hearing because something is pending on the floor. But before I do, I would like to note the presence of three persons because I have had the privilege of working with them for many years and express to them my apologies for not remaining.

One is Bill Toohey. An old soldier in this business; and my favorite spear-carrier, "Wild Bill" Walton. I am sorry "Wild Bill" that I will not be here to say a few nice words about you. And, finally, the most productive president of the Hawaii Visitors Bureau, Mr. Kenneth Char. I am certain this committee will learn a lot from Ken Char.

So, with my apologies and regrets, may I be excused?

Senator PRESSLER. Senator, we will try to set up a special hearing with OMB. Would that be agreeable with you?

Senator INOUYE. I will be here, sir.

Senator PRESSLER. OK. We will make that request. Can the staff put that in writing and we will see if we can get a response?

Mr. Secretary, I have concluded my questions, but since we are introducing people I want to introduce Kay Riordan and Dick Kelly, both from South Dakota.

Kay Riordan, would you stand up? She is on our Senate Advisory Council. And also Dick Kelly of South Dakota is here, who is on that council. I see many familiar faces, but I'll limit the introductions to South Dakotans.

We thank you very much, Mr. Secretary, for your time.

Secretary McCOY. Thank you, sir.

STATEMENT OF HON. PETER McCOY, UNDER SECRETARY FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Mr. Chairman, members of the subcommittee, I am pleased to be here today to testify on the reauthorization of the United states Travel and Tourism Administration.

Before I begin, I would like to discuss frankly a problem which has plagued my agency and its predecessor thoughout their history: the public perception of tourism.

In the public mind, tourism is equated with pleasure travel. It's economic impact is not understood. It is time to set the record straight.

Since 1937, when the Committee of Statistical Experts of the League of Nations first adopted a standard definition, the term "tourism", as understood by experts, has meant persons traveling: for family reasons; to obtain health care; to attend meetings or athletic competitions; for religious purposes, including pilgrimages; for business, and for pleasure, including outdoor recreation and study.

This is the definition used by the United Nations, today, as well as by international specialized agencies such as the World Tourism Organization and the Organization for Economic Cooperation and Development, and by most national tourist offices.

I might note, parenthetically, that although it is not contemplated in this definition, a fairly sizeable portion of international travel is for the purpose of shopping—purchasing goods produced in another country.

Because tourism has not been correctly understood by most people, the national interest in tourism has not been fully appreciated. The public, in general, has not realized that tourism confers tangible benefits on the nation as a whole as well as the tourist.

With your permission, I would like to devote a few moments to those benefits and to the national economic interest in international tourism. That interest can be summed up in eight words: jobs; national income; foreign exchange receipts; and tax revenue.

Admittedly, there are other national interests in inbound tourism: closer ties with expatriate citizens living abroad and increased understanding in other countries of our policies and institutions, for example. Today, however, I would like to confine my observations to the economic interest.

Rarely has that interest been so great: we are just now beginning to recover from the most severe economic slump since the Great Depression. The merchandise trade deficit hit a record high $42.7 billion last year, on a CIF[1] basis. The Council of Economic Advisors predicts another record trade deficit this year.

Increased inbound tourism would strengthen and speed the economic recovery, and expand our foreign exchange earnings.

JOBS

We need to create employment opportunities, and tourism generates jobs. Every $40,000 in tourist spending creates or supports one American job. This means that, for every 40 additional overseas visitors we can bring to this country, one new job is made available, to be filled from the ranks of our unemployed.

Furthermore, because the tourism industry is labor-intensive, tourism spending tends to create jobs faster and more efficiently than equivalent investment in the

[1] Cost, insurance, freight value of imports to U.S. port of entry.

manufacturing sector. In 1980, the tourism industry accounted for 35% of all new jobs created in this country. During the first nine months of 1982, alone, 100,000 net new jobs were established by the travel industry while overall employment declined by 650,000 jobs. A large percentage of these jobs were unskilled or semi-skilled and were filled by women, youth, and minorities—those groups which, traditionally, suffer the most during periods of high unemployment.

Last year, spending by international tourists directly supported nearly 300,000 jobs in the United States—and no Federally-funded jobs program was involved.

ECONOMIC GROWTH

We need to stimulate economic growth, and tourism is traditionally one of the fastest growing components of the U.S. economy. In the last 20 years, U.S. earnings from international tourism, measured in real terms (constant 1972 dollars) have grown: more than three-and-a-half times faster than either GNP or personal consumption expenditures for goods; more than three times as fast as personal consumption expenditures as a whole; more than two-and-a-half times faster than personal consumption expenditures for services; and faster than total U.S. export earnings.

The "fresh money" which international tourism pumps into the economy has the same accelerative effect as new capital investment: it turns over and over as it circulates through the economy and generates successive rounds of demand—as well as income and jobs—not only for the travel industry, but for industries which supply the travel industry.

FOREIGN EXCHANGE

We need to narrow the trade deficit. This is one of the Department's top priorities. Tourism produces foreign exchange earnings—from some of the countries which account for our merchandise trade imbalance. For example, in the first three quarters of 1982, the deficit in our trade with Japan totaled more than $13.8 billion. Our tourism account with that country was $556 million in surplus and helped to offset U.S. imports of Japanese merchandise.

TAX REVENUE

We need to increase state and local government revenues, and sales of services and goods to tourists from abroad generate tax receipts which wouldn't be earned otherwise. In 1981, the latest year for which final figures are available, international tourism produced $460 million in state and local tax revenues, and put another $650 million in Federal tax coffers. State and local governments are beginning to recognize that tax receipts from foreign visitors represent a revenue gain for the destination state, which is not at the expense of another U.S. jurisdiction, Nevadans visiting California generate sales tax in California, not in their home state. Foreign visitors increase every jurisdiction's revenue.

All of these are reasons why there is a national economic interest—and a Federal role—in international tourism.

Having said that, I would now like to make the case for reauthorizing the United States Travel and Tourism Administration and discuss some of our plans and accomplishments.

PLANS

Our primary goal is to increase U.S. foreign exchange earnings. Our principal objectives, in pursuit of this goal, are to: increase the U.S. share of world international tourism receipts; increase opportunities for U.S. travel suppliers, including state and cities, to sell travel services and products to foreign nationals; increase employment opportunities within the U.S. tourism sector.

Our strategies for achieving these objectives are to: increase the number of U.S. travel sellers who are active in the VISIT USA market; develop joint, multi-year marketing plans with the existing VISIT USA Committees, setting forth both public and private sector marketing responsibilities in each major market; and to reduce government-imposed impediments to international tourism.

To increase the number of U.S. tourism "exporters", we will: continue cooperative efforts with the Foreign Commercial Service; conduct field seminars for new-to-market travel sellers covering topics such as market selection, marketing strategies, structure of the foreign travel trade, how to organize a successful trade mission; speak to local and regional travel groups to increase their awareness of foreign market opportunities and of USTTA and Foreign Commercial Service services.

If more of the U.S. travel industry actively bids for international business, the U.S. presence in the market will expand, our impact on the market will increase, and our share of international tourism receipts should grow.

MARKETING PLAN

Expanding the U.S. share of the international tourist market will involve more than simply increasing the number of "tourism exporters". It will require a marketing plan which sets forth goals, describes how resources will be deployed and defines public and private sector responsibilities in the foreign market place.

In our view, the foundation of such a plan must be an official U.S. presence in the market place—in the form of travel information and liaison offices. These offices are needed to perform four critical functions: to collect market intelligence for U.S. travel suppliers, especially those venturing into the market for the first time, and to provide technical guidance on international tourism market opportunities; to provide technical liaison between regional, state and city tourist interests in the U.S. and tour wholesalers, agents and other travel trade components in the market place; to assist travel mission sponsors to organize and execute results-oriented mission activities; to facilitate contacts between U.S. travel suppliers and major international travel wholesalers and buyers.

Whithout the facilitative and catalytic support of a presence in the field, the U.S. travel industry would be disadvantaged in the market place. Their foreign counterparts and competitors do receive such support.

Sixty percent of the national tourism administrations (NTAs) responding to a recent World Tourism Organization survey maintain field offices abroad. The vast majority of all Asian, European and Western Hemisphere countries maintains a field presence.

In addition, a substantial number of those countries which operate NTA field offices in the generating countries also promote tourism through their embassies or consulates and with national transport or private companies in the market.

NTAs support their respective tourism industries in a variety of ways. World Tourism Organization figures show that the majority of NTA field offices engage in "promotional and image-creating activities", and distribution of information and advertising material. Many NTAs conduct on-site introductory tours for travel wholesalers and participate in cooperative campaigns with other public and private sector organizations.

Competition between national tourism administrations is formidable. Fifteen countries account for most of the world's tourism expenditures. According to the World Tourism Organization, there are more than 170 national tourism organizations, administrations or offices. Most are competing for the tourism business of the 15 principal generating countries.

In the United Kingdom, alone, the U.S. travel industry must vie for business with the national tourist offices and companies of 68 other countries. Fifty-two foreign countries maintain NTA field offices in the Federal Republic of Germany and 48 in France.

Regional tourism associations constitute another element of the competitive environment. Specific examples include the European Travel Commission (an alliance of national tourism administrations, national carriers and other travel industry components), the Caribbean Tourist Association and the Pacific Area Travel Association. USTTA, itself, works with regional associations of U.S. tourism interests.

In all probability, this competition will intensify, not slacken. The number of NTAs is not decreasing. There are more NTAs in the world, today, than at any time previously. Many have been established since the early sixties—as new countries have come into being. In the decade of the eighties, competition for international tourism business is not simply between companies; it is between governments. Nevertheless, this nation's success has been built upon the operation of a free market, and we expect the travel industry to carry its fair share of promotional costs.

USTTA maintains offices in six major tourism-generating countries which account for 77 percent of its tourism receipts. In those markets in which USTTA lacks an on-site staff, specific tourism responsibilities will continue to be assigned to Foreign Commercial Service officers assisted by local VISIT USA Committees.

The Administration's authorization bill will include a repeal of the floor under overseas resources. The repeal will be consistent with the funding level of the Continuing Resolution and would enable USTTA to adapt to changing needs within budgetary constraints.

USTTA will maintain its status as an independent agency. However, that independence should not prevent us from taking advantage of the very real benefits

to be obtained from formal relationships with other, Federal agencies—relationships which can help, but never hurt, my agency's impact on the goal of increasing real earnings from international tourism.

U.S. MARKET SHARE

The U.S. share of the international tourism market is shrinking. Last year, we estimate U.S. receipts from foreign visitors fell 4 percent. This was in large part the result of the strength of the dollar as compared to foreign currencies and the global economic recession. Our share of global international travel spending dropped from 12.7 percent to 11.7 percent, a full percentage point. Our share of regional tourism receipts—those earned by countries of the Western Hemisphere—also declined, from 49.6 percent to 45.5 percent, the lowest level since 1974. After recording a travel surplus in 1981 for the first time, the travel account slipped back into deficit position.

Due to the drop in our international tourism earnings, the number of jobs in the tourism sector declined by an estimated 28,460. Federal, state and local tax revenue from tourism also fell, around $45 million.

Tourism's stimulative effect on the economy was less than it might have been.

I am convinced that the program that the U.S. Travel and Tourism Administration proposes to undertake in 1984 will:

—help the United States to regain its market share;

—result in increased international tourism receipts for the United States;

—have a beneficial effect on job-creation, national income and tax revenues.

ACCOMPLISHMENTS

It is not easy to quantify program impact in economic terms, and I will not attempt to do so at this time. Nevertheless, I can assure you that my agency's record of achievement is a solid one.

Last year: the International Congress Office obtained 35 international congresses, which represent future earnings of $31 million, for U.S. venues; 25 international congresses, previously sold on U.S. venues by USTTA or its predecessor agency, were held in the United States and generated more than $15 million; 476,000 public inquiries about U.S. tourism facilities and destinations were serviced by USTTA field office personnel; 171,000 inquiries from the foreign travel trade were responded to; 85 travel missions were organized or assisted by USTTA personnel; inspection visits enabling more than 3,100 foreign travel agents to inspect U.S. travel facilities and negotiate with prospective U.S. travel suppliers were arranged by USTTA; more than 1,700 journalists from 10 nations participated in similar USTTA-arranged inspections and, as a result, wrote news stories about U.S. travel opportunities which, if purchased as paid advertising, would have cost $46 million; destination coverage valued at $28 million was obtained by contract personnel working under the supervision of USTTA staff abroad.

(Cost of media contractor services in support of these projects was approximately $425,000).

The National Tourism Policy Council, mandated by the National Tourism Policy Act, was activated; the Travel and Tourism Advisory Board was formally established and its members were appointed; negotiations were initiated with New Orleans to establish multilingual assistance services at the airport in preparation for the 1984 World's Fair; a "memorandum of understanding" was signed with the People's Republic of China, permitting two American companies to become the first non-Chinese tour operators to do business in China; a major inflight survey system was implemented which will provide the United States—and the U.S. travel industry—with more reliable destination-level data on international visitors and improved estimates of foreign visitor spending in this country. This is an example of successful cooperation between the government and the travel industry. This may serve as a model for future joint, public/private support.

Last month, I concluded a bilateral tourism agreement with the Arab Republic of Egypt which, among other things, is intended to facilitate the operation of American-owned hotels operating in that country.

In the months ahead, we hope to implement the program I have described to you—and to work with other agencies to reduce governmentally-imposed barriers to international trade in tourism.

I believe the fiscal year 1984 budget request represents a fair balance between the public interest in increased tourism-related employment and revenue and the private interest in expanded market share and profits. I hope that you agree.

Increased inbound tourism would spur our economic recovery and employ more U.S. workers. It would serve our national interest and benefit all Americans.

Thank you.

TABLE I.—*Growth rate comparison: GNP, personal consumption expenditures, U.S. exports of goods and services and U.S. international tourism receipts, rate of growth since 1963*

[Based on billions of 1972 dollars]

	Percent
1. Gross national product	77.2
2. Personal consumption expenditures	
Total	91.2
Goods	76.9
Services	108.0
3. Exports of goods and services	229.0
4. International tourism receipts	278.5

Source: Council of Economic Advisers and U.S. Department of Commerce.

TABLE II.—U.S. INTERNATIONAL TOURISM RECEIPTS,[1] 1960–82

[In millions of dollars]

Year	Current dollars	Percent change	Constant dollars [2]	Percent change	Implicit price deflator	Tourism inflation rate
1960	919		1,300		70.7	
1961	947	3.0	1,324	1.8	71.5	1.1
1962	957	1.1	1,324	0.0	72.3	1.1
1963	1,015	6.1	1,387	4.8	73.2	1.2
1964	1,207	15.9	1,627	14.8	74.2	1.4
1965	1,380	14.3	1,830	12.5	75.4	1.6
1966	1,590	15.2	2,046	11.8	77.7	3.1
1967	1,646	3.5	2,063	0.8	79.8	2.7
1968	1,775	7.8	2,133	3.4	83.2	4.3
1969	2,058	15.9	2,349	10.1	87.6	5.3
1970	2,331	13.3	2,512	6.9	92.8	5.9
1971	2,534	8.7	2,618	4.2	96.8	4.3
1972	2,817	11.2	2,817	7.6	100.0	3.3
1973	3,412	21.1	3,246	15.2	105.1	5.1
1974	4,032	18.2	3,531	8.8	114.2	8.7
1975	4,697	16.5	3,816	8.1	123.1	7.8
1976	5,742	22.2	4,377	14.7	131.2	6.6
1977	6,150	7.1	4,393	0.4	140.0	6.7
1978	7,183	16.8	4,716	7.3	152.3	8.8
1979	8,441	17.5	5,012	6.2	168.4	10.6
1980	10,058	19.2	5,316	5.8	189.2	12.4
1981	12,168	21.0	5,816	10.0	209.2	10.6
1982	[3] 11,670	−4.1	[3] 5,305	−8.8	[3] 220.0	[3] 5.2
Aggregate change (1960–1982)		1,169.9		308.1		211.1

[1] Excluding international transportation fare payments to U.S. carriers by foreign nationals.
[2] Constant (1972) dollars. Based on annual weighted price indices for tourist expenditures.
[3] Preliminary USTTA estimate.

Source: Department of Commerce (United States Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE III.—U.S. SHARE OF WORLD AND AMERICAS REGION INTERNATIONAL TOURISM RECEIPTS, 1960–82

[In billions of dollars]

Year	World international tourism receipts [1]	U.S. share (percent)	Americas region international tourism receipts [1]	U.S. share (percent)
1960	6.8	13.2	2.4	37.5
1961	7.3	12.3	2.5	36.0
1962	7.8	11.5	2.6	34.6
1963	8.3	12.0	2.6	38.4
1964	9.6	12.5	2.9	41.3
1965	11.0	12.7	3.3	42.4
1966	12.5	12.8	3.4	47.0
1967	13.4	11.9	4.0	40.0
1968	13.8	13.0	4.0	45.0
1969	15.4	12.9	4.5	44.4
1970	17.9	12.8	4.8	47.8
1971	20.9	11.9	5.2	48.0
1972	24.8	11.2	6.1	45.9
1973	31.3	10.8	7.4	45.9
1974	34.1	11.7	8.7	45.9
1975	38.6	11.9	9.7	47.4
1976	43.7	13.0	11.0	51.8
1977	52.4	11.6	11.5	53.5
1978	65.0	11.0	13.5	53.2
1979	79.0	10.6	16.0	51.8
1980	95.3	10.5	[2] 20.9	48.2
1981	[2] 96.0	12.7	[2] 24.5	49.6
1982	[3] 99.9	11.7	[3] 25.7	45.5

[1] Current dollars.
[2] Revised.
[3] Preliminary.

Source: World Tourism Organization and U.S. Department of Commerce (United States Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE IV.—U.S. INTERNATIONAL TRAVEL DEFICIT, 1960–82

[In millions of dollars]

Year	Total deficit	Passenger fare deficit	Percent of total deficit
1960	−1,230	−399	32.4
1961	−1,235	−397	32.1
1962	−1,444	−462	32.0
1963	−1,596	−497	31.1
1964	−1,499	−495	33.0
1965	−1,613	−555	34.4
1966	−1,627	−560	34.4
1967	−2,156	−595	27.6
1968	−1,880	−625	33.2
1969	−2,126	−777	36.5
1970	−2,487	−838	33.7
1971	−2,704	−865	32.0
1972	−3,327	−1,102	33.1
1973	−3,186	−1,072	33.6
1974	−3,230	−1,282	39.7
1975	−3,216	−1,496	46.5
1976	−2,745	−1,631	59.4
1977	−3,024	−1,723	57.0
1978	−2,950	−1,658	56.2
1979	−2,479	−1,507	60.8
1980	−1,893	−1,554	82.1

TABLE IV.—U.S. INTERNATIONAL TRAVEL DEFICIT, 1960–82—Continued

[In millions of dollars]

Year	Total deficit	Passenger fare deficit	Percent of total deficit
1981	−1,324	−2,032	153.5
1982	[1] −2,840	[1] −2,170	[1] 76.4

[1] Preliminary USTTA estimate.

Source: Department of Commerce (United States Travel and Tourism Administration and Bureau of Economic Analysis).

QUESTIONS OF SENATOR INOUYE AND THE ANSWERS THERETO

Question. USTTA is now prohibited by law from reducing the staff levels in its overseas offices; it is also prohibited from reducing the funding levels of those overseas offices.

Do you plan to reduce either level in fiscal year 1984? If not, what do you mean on page 12, "The administration's authorization bill will include a repeal of the floor under overseas resources."

Answer. The Administration's request to repeal the "floor" under overseas resources is intended to provide USTTA with more flexibility in the management of the foreign offices at a time when greater constraints are being placed on all governmental expenditures. Every effort will be made to continue employment at its present level and to exploit all means to provide services in the foreign markets through private/public partnerships and cooperative activities.

Question. (a) How much dollars did USTTA provide to fund the port receptionist program in fiscal year 1983?

(b) Does your budget of $5.4 million provide for continued USTTA funding for the port receptionist program, and if not, will the program be continued?

(c) How much dollars would it require to fund the program in fiscal year 1984 at its present level?

Answer. (a) $200,000.

(b) No, the program would be continued through those financial partners who would provide full funding for their locations.

(c) Funding of the program at its present level would require at least $200,000.

Question. Approximately 4 years ago the travel service discontinued a program which I believe had a proven cost/benefit ratio of $18.6–1. It was the tour development program.

(a) Could you briefly describe that program for the record?

(b) Wasn't this program particularly effective for developing new tourism destinations within the U.S.?

(c) Could that program be re-instituted in selected overseas markets for fiscal year 1984; and if so, at what cost?

Answer. (a) The Tour Development Program was designed to increase the number of U.S. travel offerings in countries abroad. The offerings were developed by wholesale travel agents and operators and sold through retail outlets. Our role involved assisting the wholesalers financially by sharing in part of the risk of developing a new program. The assistance could support production of a tour catalogue, for example. The wholesalers produced the customers to buy the newly-developed U.S. travel offerings.

(b) The program was effective in developing new tourism destinations in the U.S. However, information gathered abroad recommended termination of the program after it had been in effect for over five years because the major objectives had been achieved by presenting many U.S. destinations to foreign buyers.

(c) This was a highly successful program, and it has generally become self-supporting. As a new product it showed great demand at its inception and was economically feasible for the wholesalers. Reinstatement of the program is being considered to determine whether particular areas of the country, especially lesser-known destinations, could benefit from tour development.

An estimate of the programs' cost will depend on the measure of funding available for USTTA's total marketing program.

Question. Consumer information offices provides information and brochures to prospective tourists who walk-in off the street. I believe this kind of information is

quite important to the independent tourist who does not want to buy a package tour.

(a) Do most national tourism offices, say in London, have street level offices to provide this kind of information?

(b) I believe the USTTA office in London is located on a small side street (Sackville) and is a second story location. Is it open to the public, and if so, is it easily accessible?

(c) If the great majority of Europeans don't buy package tours, isn't there a need for this type of office?

(d) Could consumer information offices be opened for fiscal year 1984 in some of the markets where USTTA now has regional offices?

(e) Would consumer information offices assist States, cities, and small businesses to get their literature into the hands of a prospective visitor?

Answer. (a) The majority of national tourism offices in London are located at prominent, street level locations and they provide consumer information.

(b) The USTTA office is located at 22 Sackville Street on the third floor. It is in a location that is one block from Picadilly Street and one block from Regent Street. The Office is open to the public.

(c) In all USTTA Regional Offices, Consumer Information Services are available to the independent tourist who may not want to buy a package tour. These range from separate offices, as in Canada, to an on-the-premises operation in West Germany and Japan. In England and France, additional contract personnel have been added for the specific purpose of providing consumer information. In FY 1982, USTTA responded to nearly 400,000 inquiries in its six markets. Consumer Information Service is important and is currentiy being provided satisfactorily.

(d) The Consumer Information Service being provided at present is sufficient to meet the needs in all six countries where USTTA has regional offices.

(e) USTTA distributed the literature it receives from States, cities, and small businesses to potential visitors from abroad. Most of the literature is in English and is useful only to prospective travelers who can read the language.

Question. Mr. McCoy, on pp. 9-10 of your statement, you describe the function of the USTTA overseas offices as travel and liaison offices.

This means those offices will not be funded to do any marketing or promotion programs, is that not so? In other words, the administration is eliminating its marketing programs?

Answer. Maintaining the presence of a professional staff in key locations is of prime importance. USTTA offices will be able to provide coordination between the foreign travel trade and industry representatives, and the U.S. destination areas. A professional staff near other travel media offices can provided most of the personal services and functions expected from a national tourist office. Funds are not requested for marketing programs.

Question. Mr. Secretary, the administration has submitted a budget for USTTA which calls for $5.4 million, and no marketing and promotion.

If Congress authorizes and appropriates dollars at the $13 million level or thereabouts, do you have a "sound marketing plan" or could you develop one for fiscal year 1984? Would the administration allow you to develop and implement such a plan: and if so would you do so in full and prior consultation with the development of Commerce's Travel and Tourism Advisory Board?

Answer. A sound marketing plan could be developed at the $13 million level for fiscal year 1984.

If Congress authorized and appropriated at the approximate level of $13 million, the Administration could develop and implement a marketing plan at that level if it were required or requested. It would be done with the full and prior consultation with the Travel and Tourism Advisory Board.

Senator PRESSLER. I should mention that Bob Juliano of the Hotel & Restaurant Employees Union is unable to be here today. However, Bob has submitted testimony for the record.

I believe Mr. Jim Santini is next on the list.

Jim, we welcome you to the committee.

STATEMENT OF JAMES SANTINI

Mr. SANTINI. Thank you very much, Mr. Chairman.

I appreciate the opportunity to join with you and your committee on this repeat scenario of the budgeting of that beleagured band of

defenders of tourism within the Department of Commerce. Senator Inouye must feel like he has heard that tune a multitude of times before, or he must feel like he is reliving some dismal nightmare on a recurring basis, where he jousts and contends with the faceless, nameless adversary of tourism, travel and recreation within the Office of Management and Budget, whoever that unnamed, faceless assassin of tourism may be.

There is no question that your committee, Mr. Chairman, and the dedicated commitment over the years of Senator Inouye translated to confrontations with Secretary McCoy's predecessors. It is going to play a critical role in the disposition of your legislation. It is ironic, if not indefensible, that members of the U.S. Senate, that members of the private sector, must on an annual basis come in and attempt to justify the contribution and importance of tourism. It is incredulous.

The nations and statistics that you, Mr. Chairman, Senator Warner, and Senator Inouye cited are, likewise, repeated in my statement. Because of that fact, I will ask, Mr. Chairman, that my statement be simply entered at this juncture in the record.

Senator PRESSLER. Without objection, so ordered.

Mr. SANTINI. As former Chairman of the House Tourism and Travel Caucus, a body that was put together to help augment and supplement the charge and contribution of the Senators who have focused on the concerns of tourism and with those representatives of the private sector who have so long labored with four successive administrations, at least, to try and instill some basic education on the importance of tourism and travel, I commend you, Mr. Chairman, for having the fortitude, masochistic though it may be, to try and challenge the Office of Management and Budget in the arena of financial contributions to a Government agency designed to provide some modest reinforcement of that assistance.

You will have, on the House side, I am sure, under the new Chairman Boner an ally and a reinforcement to your dedication and commitment to this cause, and I know Chairman Florio and his subcommittee will work with you and your colleagues to provide assistance in matters of the tourism battle—the second leading retail industry in the United States of America today, the largest by the year 2000.

It is perplexing and mystifying, Mr. Chairman, how the national dialog, which is, as you observed earlier, focused directly on the jobs question, ignores the tourism potential. The Congress passes a $5 billion road program to put approximately 300,000 people to work. In the excellent testimony that will follow from the council, its witnesses will provide the most authoritative case ever made. With fact, figure, and conclusion, they will demonstrate how a modest $28 million, less than $30 million could contribute to 400,000 jobs.

Now why the disparity of investment and return has not permeated that bastion of economic sanctity, OMB, is beyond me. But there is an institutional bias. There is an institutional prejudice. Senator Inouye, as Chairman, combatted it and confronted it, as did Senator Cannon, as has John Hardy over the years. It defies logic, it defies reason, it defies explanation, but the battle does con-

tinue. And I am glad you are willing and able to pursue that battle here this morning, Mr. Chairman.

I wish you a lot of luck. I think you will find that with the newly instituted council, with, in the last Congress, the 287-Member House Tourism and Travel Caucus, you have weapons at your disposal that Senator Inouye, as Chairman, did not have. Some days he and Senator Cannon must have felt that they were voices crying against an insurmountable vacuum within the executive agencies of Government.

You have a chance to assault that same vacuum, and I believe you have soldiers standing at your side who will help reinforce the army. The council's statistics on jobs, I would hope, will be a focus of the response of OMB in its justification for attempting in effect to emasculate USTTA.

We have no need to justify, it seems to me, an $18.70 return on every taxpayer dollar invested. I am pleased that you are willing to assume this challenge and charge, Mr. Chairman, because without you and the reinforcement of your subcommittee, the death sentence that has been levied in the Office of Management and Budget on the tourism, travel and recreation industry of the United States would be carried out, and the victim, the defendant, the tourism and travel industry, would find itself executed without ever having had its day in court.

I commend you for providing that day in court for the tourism and travel industry, Mr. Chairman.

Senator PRESSLER. Thank you. We are going to try and get 50 cosponsors to the bill. We have 21 so far. They are the easy ones. Now we have to go out and get about 30 more. How much support can I expect from the industry in getting these cosponsors. Will Senators be called upon? Will they be contacted when they are home? How can I get another 30 cosponsors?

Mr. SANTINI. Well, I think the industry representatives, Mr. Chairman, could best address their willingness to commit to a mobilized support for cosponsors for your legislation. If my conversations and experience with the leaders and representatives of that industry are any measure, it seems to me that you will be able to command more directed, involved political action activity on the part of the leaders of the industry, most of whom are assembled in this room this morning to hear your plea and appeal.

I think they are willing to roll up their sleeves and go to work, side-by-side with you in securing those cosponsors and in securing a more intelligent response by the executive agencies to the problems and needs of tourism.

Senator PRESSLER. And we need that done by the middle of April or the first of May. If I had 50 to 60 cosponsors in the Senate of the United States I could take this measure to the floor, if I had to, and offer it as an amendment to the appropriations bill. But if we do not have that type of political support, then we are just arguing with logic, and logic does not go very far in Washington, D. C.

It takes clout, so I hope that you and other leaders will advise me and pass the word, and later today I hope to be able to speak to the Senate Advisory Council, barring some problems on the floor, and that is a request I am going to have.

I also have another question for you. You were one of the architects of Public Law 97-63. Do you believe that the promotion and marketing role provided for the USTTA in the current budget request of $5.4 million is in keeping with what Congress intended?

Mr. SANTINI. Not, Mr. Chairman, even remotely close. That is a budget that is designed to serve as an epitaph on the tombstone for the agency and entity that we have created for the marketing plan that we hoped would be an extension of that National Tourism and Travel Policy Act. It flies in the face of legislative intent of Congress. It flies in the face of common sense interests and concerns for the economic betterment of people and the economy of the United States of America.

It is indefensible.

Senator PRESSLER. Jim, we have additional questions, but due to the time frame I am going to have to move this along. I want to thank you very much for your continuing efforts in this area. The minority may also have written questions for you.

Thank you very much.

Mr. SANTINI. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF JAMES D. SANTINI, PAST CHAIRMAN, CONGRESSIONAL TRAVEL AND TOURISM CAUCUS

Mr. Chairman and Members of the Committee; I am pleased to be here today to testify in support of legislation reauthorizing the U.S. Travel and Tourism Administration (USTTA). The Subcommittee, ably led by a chairman who has distinguished himself as a true champion of travel and tourism, is considering the impact of travel and tourism on our nation's economy, the future prospects of tourism in the United States, and the necessity of adequate funding for the federal government's efforts in tourism promotion.

It is a special pleasure for me to be here today because of my past involvement with travel and tourism and my ongoing concern that promotion of travel and tourism to the United States be given its rightful position in the federal government's spending priorities.

I am the past Chairman of the Congressional Travel and Tourism Caucus, established in 1979 by members of Congress joined by their conviction that the travel and tourism industry is vital to the economic well-being of the United States. From a core of 5 representatives, the caucus expanded its membership to 285, the largest special legislative organization in the history of the House of Representatives. The Caucus exists as a forum for members to exchange ideas, concerns, and solutions pertaining to the travel industry. It provides information to its members, to other members of Congress, to the Administration, and to outside inquiries regarding the needs of the travel and tourism community and the issues affecting it. Since its creation, the Caucus has evolved to meet the challenges of a changing economic and political environment. Now under the able leadership of Chairman Bill Boner, the Caucus continues to fulfill its purpose in close cooperation with the newly-created Travel and Tourism Government Affairs Council.

Among the issues the Caucus has successfully addressed is the passage of the National Tourism Policy Act of 1981. This law changed the old U.S. Travel Service to the USTTA and made the promotion of the United States as a travel destination an important national policy.

The importance of travel and tourism to the United States economy is undisputed. Considered as a single industry, travel and tourism is second only to retail food stores as the largest retail industry. In 1981, United States and foreign travelers spent $191 billion in our country, an 11 percent increase over 1980. By the turn of the century, travel and tourism will be the world's top business. An industry wielding so great an economic force should be on the minds of our legislators when they consider budget and tax legislation.

In a time of economic recession, and especially now as the Administration and Congress are focusing their efforts on the creation of a jobs program, certainly the employment aspect of the travel and tourism industry becomes even more impor-

tant. Travel spending in the United States directly generated 4.6 million jobs in 1981. These travel and tourism jobs paid $40 billion in wages and salaries and provided $18 billion in federal, state, and local tax revenues. Those in categories traditionally hit hardest by unemployment—minority groups, women, and youth—make up a disproportionate percentage of travel and tourism jobs. Furthermore, many of these jobs are entry-level positions, providing on-the-job training.

History, however, shows no correlation between the industry's economic importance and the federal government's commitment to its role in tourism promotion. Last year, the travel and tourism community conducted un uphill battle for adequate USTTA funding. The ensuing Fiscal Year 1983 USTTA budget was $7.6 million. Earlier this year, in total defiance to the mandates of the National Tourism Policy Act, the Office of Management and Budget suggested zero funding for the USTTA for Fiscal Year 1984. As a result of the hard work of many, both within the Administration and the industry, the Administration recommendation for the Fiscal Year 1984 USTTA budget has been set at $5.4 million.

This proposed $5.4 million funding level is, nonetheless, a 33 percent cut from this fiscal year's budget. It is inadequate to implement even the mandatory duties of the law. No resources have been provided for discretionary funds.

Furthermore, no savings are made when the federal government sways from one level of funding to another, year after year. This has been a problem characteristic of the U.S. travel promotion program over the years. The same arguments the travel and tourism community is presenting this year to salvage these programs were made last year. I endorse the concept offered by Chairman Pressler which would establish multi-year funding for the USTTA. I do share the reservations of Chairman James Florio of the House Commerce, Transportation and Tourism Subcommittee about losing authorization jurisdiction and being able to hold the Administration to the line.

The Administration's proposed funding level for USTTA is pitiful when compared with the average 39 percent increase in funding made by those nations having tourism promotion programs. The average funding level among all countries of the world is over 27 times as much as USTTA's funds.

In a 1981 comparative study of national government funding of USTTA's counterparts worldwide, the United States placed 27th—far behind the funding levels of Czechoslovakia (first-ranked at $149.1 million), Turkey (second-ranked at $62.1 million), or Singapore (tenth-ranked at $24.3 million).

The meagerness of the USTTA budget becomes even more vivid if consideration is limited to developed nations' government funding of USTTA's counterparts. In a 1981 comparsion, the United States ranked 12th among developed nations. The average funding among these nations is almost 37 times as much as USTTA's funding. On a per capita basis, the United States' tourism promotion spending in 1981 was $.03 per person. It is difficult to understand how a country such as Malta can spend $5.61 per person on tourism promotion; Canada, $.96; Luxembourg, $.84; Spain, $.57; Germany, $.13, while the United States travel community must battle to maintain its 15th-place funding ranking among developed nations worldwide.

These statistics demonstrate the financial commitment that other countries have already made to travel and tourism promotion. They have already recognized the importance of travel and tourism to their economy. If the United States government does not become a viable competitor for the international tourist, we will lose out on a growing market.

The United States does not lack a product; it lacks only the promotional plan to attract international visitors. Our country rivals any other in what we can offer to the foreign visitor, both in natural and manmade marvels. Our services surpass any other nation's for efficiency, ease, and value. We, as a people, are hospitable and open to foreign visitors. In every state, in every region, are wonders of which we are justifably proud. A foreign visitor must come here and experience the United States first-hand in order to fathom its grandeur, its diversity, its beauty, and its heritage. In addition to the economic gains of foreign travelers to the United States, we benefit as a nation through the world understanding that results from international exchange.

The role of tourism promotion is properly assigned to the federal government. The travel and tourism industry has done much in recent years to help itself. A spirit of cooperation and mutual assistance is growing within the industry, as it acknowledges the interdependence of all its components. In 1981, it formed the Travel and Tourism Government Affairs Council to represent the industry at the federal level of government. The USTTA, funded at a meaningful level, would perform functions that cannot be accomplished by the private sector nor by state and regional tourism organizations.

The prospects for international tourism are bright. We appear to have weathered the worst of the international recession, and as economies pick up, both business and leisure travel will increase. The U.S. dollar has fallen somewhat against several other currencies, making a trip to the United States more inviting to the foreign traveler. In 1984, the World's Fair will be held in New Orleans, and the Olympic Games will take place in Los Angeles. These two host cities will not be the sole beneficiaries of increased visitors. Travelers coming to the United States from abroad will include other United States cities and states in their itineraries, as well.

Faced with the rising federal budget deficit, the Administration and the Congress are extremely budget-conscious. I understand the need to pare down all programs to the absolutely necessary; I, too, have faced tough budget decisions. Tourism promotion is a sound, cost-effective investment. For relatively small amounts, this country can receive literally billions of dollars in foreign travel receipts and can create hundreds and thousands of jobs.

I urge the Subcommittee to recommend adequate levels of multi-year funding for the USTTA.

Thank you.

Senator PRESSLER. I shall call up panel 1, which is Mr. Richard Ashman, chairman, Travel and Tourism Government Affairs Council, vice president, government and industry affairs, Holiday Inns, Inc., Memphis, Tenn.; and Mr. Bill Toohey, vice chairman, Travel and Tourism Government Affairs Council, and president of Travel Industry Association of America, Washington, D.C.

On these panels, if we could summarize somewhat, I am due to preside over the Senate at 12, and we have five panels, which I think we can do very well. I think it is good to summarize your basic points. We will put the whole statements in the record. I do not want to rush anybody because we have got some of the leading tourism people in the United States here, and we want to hear you out. If necessary, we will go into the afternoon.

STATEMENTS OF RICHARD ASHMAN, CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL, AND VICE PRESIDENT, GOVERNMENT AND INDUSTRY AFFAIRS, HOLIDAY INNS, INC.; AND WILLIAM D. TOOHEY, VICE CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL, AND PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

Mr. ASHMAN. Thank you, Mr. Chairman. Also with us today is Thomas G. Lloyd, the council's political policy analyst. Mr. Lloyd was formerly with the Arthur D. Little Co., who was the principal author of the National Tourism Policy Study conducted under the direction of this subcommittee. He is here with us today to assist in answering any questions you might have in the analysis of S. 212 conducted by the council's staff.

We would like to thank the subcommittee for providing us with the opportunity to present our views on S. 212. We have submitted to the subcommittee our full written testimony and analysis of the positive impacts that S. 212 would have on the U.S. economy.

Our testimony today will briefly summarize the council's full written testimony. Mr. Toohey will begin our testimony.

Mr. TOOHEY. Thank you, Dick. Good morning, Mr. Chairman.

The travel industry continues to be vitally interested in the purposes of the National Tourism Policy Act, sponsored by your subcommittee, and its designated principal instrument of policy implementation the U.S. Travel and Tourism Administration. USTTA

must have adequate funding in order to carry out the explicit intent of the Policy Act.

Adequate funding for USTTA is a priority issue of the Travel and Tourism Government Affairs Council in 1983, as it was in 1982. The Government Affairs Council wholeheartedly supports the principles underlying the introduction of S. 212, which we believe will begin to reverse the trend in continuous reductions in funding for the USTTA.

Also, we believe the multiyear authorization proposed would do much to improve the agency's ability to develop cohesive, ongoing marketing programs. Your bill, Mr Chairman, is a promising beginning in moving the United States toward a more competitive position in the world marketplace.

Travel and tourism, as you have stated, is the second largest retail industry in the United States and the third-largest export industry, generating 179,000 new jobs in the recessionary year of 1981. Yet, the Federal Government spent only 8.01 of 1 percent of the tax receipts it received from this economic activity on funding for USTTA. To put this into perspective, the entire agency budget was returned to the Government in less than 5 days in the form of taxes collected on international visitor spending in the United States.

In our view, it is indisputable that additional spending by the Government on international promotion would increase Federal revenues, reduce unemployment and contribute substantially to our international balance of payments. International travel promotion has proven employment and tax revenue-generating potential.

The council believes that it is far more prudent to invest further in such promotion, rather than to forego the substantial tax revenues and new employment that could have been created. We therefore urge the U.S. Senate to support your bill, S. 212.

The council has examined in some detail the potential result of funding USTTA at the levels proposed in your legislation. Today, I will only touch on the highlights of our findings and refer you to our written testimony, which you have before you, which offers a very detailed and expert analysis.

Funding the USTTA at the levels proposed for allocation in S. 212 would generate an estimated $273 million more in Federal tax revenues than continued level funding at $7.6 million. A USTTA appropriation of $13 million in 1984, with a sophisticated marketing program properly focused on correctly targeted foreign markets, would likely increase Federal tax revenues by $75 million over 1983.

This means that the $13 million investment would be returned to the U.S. Treasury through tax generation in just 7 days. Such funding would also generate an estimated 55,000 more jobs for U.S. workers than level funding would achieve over the same 3-year period.

A USTTA budget of $13 million for 1984 would generate an estimated 25,000 new jobs within the first year. Funding the USTTA at the levels proposed would contribute, according to our estimates, $5.1 billion more in U.S. international receipts from foreign visitors than level funding at $7.6 million per year over the coming 3-year period.

A properly developed U.S. marketing plan could increase U.S. export earnings from international tourism by 11 percent in 1984, generating $1.4 billion in additional international receipts in the first year alone.

Finally, funding USTTA at the levels proposed by S. 212 would, we believe, begin to reverse the decline in the U.S. share of international tourism receipts beginning in 1984 and substantially improve the U.S. market share over what could be expected if we continue the present level funding.

The international competitive position of the United States has continued to slip each year since 1976 as the agency's international promotion efforts were decreased with each successive budget cut. As a result, the United States dropped to 56th in a ranking of countries based on promotional spending on a per capita basis. We have likely slipped further since funding for USTTA was again reduced in 1982 and the dollar became stronger relative to other currencies.

It is the tourism industry's concern regarding our shrinking market share, the most accurate barometer of our competitiveness in the world tourism market, that motivated the council to undertake a study of what would be necessary to return the United States to a 13-percent market share.

Mr. Ashman will highlight some of our findings from this just-completed study to demonstrate the potential benefits to the United States from funding levels more comparable to our international competitors.

Mr. ASHMAN. Mr. Chairman, the council is concerned that while our competitive position slips further our market share continues to shrink. We have, therefore, developed a hypothetical funding scenario that would return the United States to a 13-percent market share over a 5-year period.

This 13 percent market share scenario would require a USTTA 1984 budget of $17.5 million, rising to $39.5 million in 1988, in order to return our Nation to a 13-percent share in 5 years. You have already heard some of our testimony regarding the ability of the travel and tourism industry to generate new employment.

As in the 97th Congress, you will probably devote much of this session to the consideration of legislative initiatives intended to minimize unemployment. If international travel promotion were accurately viewed as a job-generating activity of the Federal government or, if you will, USTTA funding, was viewed as a jobs bill, over 200,000 new jobs could be generated over a 5-year period at an outlay to the government of only $656 per job.

Funding USTTA at $17.5 million, rising to $39.5 million in 1988, would generate 210,000 more jobs than level funding would generate over the same 5-year period and an estimated 61,000 of these new jobs would be generated in the very first year.

This level of funding would also generate $1.4 billion more in Federal tax receipts than level funding at an annual $7.6 million per year would achieve over the five-year period. A USTTA budget of $17.5 million in 1984 would increase Federal tax revenues by an estimated $138 million over estimated 1983 tax receipts.

Funding USTTA at the levels previously discussed would help to nearly double the U.S. receipts from international tourism, rising

from an estimated $11.7 billion in 1983 to $20.1 billion in 1988, approximately $26.2 billion more than can be expected from level funding over the same period.

And, finally, the principal goal of this funding scenario would be achieved. The U.S. market share of international tourism receipts would move from the 1983 level of slightly more than 10 percent to 13 percent, compared to the 7.6-percent market share expected if USTTA funding were to remain level over the 5-year period.

The projections presented here are, in our view, extremely conservative. However, they cannot be achieved without a sophisticated, targeted marketing program. In our analysis, in coming up with these conclusions and figures, we have assumed that the United States would perform only as well as the average of other countries in the world in their expenditures promoting visitation.

We used, as the basis for our calculations, the annual average return on promotional investment achieved by 60 countries over a 5-year period. This is a very conservative assumption since our methodology eliminates the enormous effect of fluctuating currency values and the influence of periodic economic and political difficulties experienced by individual countries.

While we were impressed with the performance of a number of countries over the past 5 years, we retained our very conservative approach. For example, Germany increased promotional spending 24 percent while its international receipts rose 106 percent over the 5-year period.

France increased promotional spending 156 percent and increased receipts 264 percent. Spain increased spending 83 percent and receipts rose 126 percent. Canada increased spending 23 percent and receipts rose 38 percent.

Investment in international promotion is clearly defensible from the Federal Government's point of view as a job-generating activity. As illustrated by this scenario, over 200,000 new jobs would be created over the 5-year period. Similarly, Federal expenditures of $137.8 million over 5 years would generate over $4.5 billion in Federal tax revenues and could, therefore, very clearly and very obviously be viewed as a revenue enhancement activity.

Further, the ability of investment in international promotion to generate export earnings clearly supports Federal efforts to maintain a positive balance of payments. We believe that the evidence could not be more conclusive.

Increased funding for USTTA is in the national interest from an employment-generating, revenue-enhancing, and foreign-trade-policy point of view.

S. 212 should be fully supported as an important step toward a rational spending policy that not only contributes to the viability of hundreds of thousands of small businesses, but, perhaps more importantly, supports administration and congressional efforts to minimize and reduce unemployment, generate additional Federal revenues, and improve our balance of payments.

Mr. Chairman, this concludes the council's testimony in support of S. 212.

Senator PRESSLER. Thank you very much. I would like to thank you for the very excellent testimony you have provided on behalf of the Travel and Tourism Government Affairs Council. You should

be congratulated for the speed with which this new organization has been made an effective voice for the travel and tourism industry.

I think one of the most telling items you provide in your written testimony is the chart comparing spending by various national tourism organizations around the world. Senator Inouye has touched upon that.

Let me ask you: If you were at the Office of Management and Budget and were responsible for setting a spending level for the USTTA, how much do you think could be effectively spent on promoting the United States as an international destination?

Mr. ASHMAN. I believe we took as an objective to return our market share to 13 percent. If we spend our money as wisely as the average of 60 nations around the world, I think that goes, Tom, up to $39 million in the fifth year on an escalating basis, and I believe, certainly, that we should be at least able to spend that money as prudently as the average of 60 nations around the world.

Mr. TOOHEY. Mr. Chairman, that is only to indicate that that would return the United States to a market share held in 1976.

Mr. ASHMAN. Also, that market is an increasing market. While we are losing market share, we are losing a market share of an increasing market, so we are losing more of more. I believe the international market over the past 5 years has grown at an annual rate of almost 19 percent.

Senator PRESSLER. I might say, Mr. Toohey, you said in your testimony that, if we spent $13 million on USTTA funding in 1984, 25,000 new jobs would be created. Now I understand the Defense Department estimates that each $1 billion in military spending creates 50,000 to 60,000 jobs, and Secretary of State Shultz has recently been quoted as saying that, in the U.S. export industries, each $1 billion in receipts generates 60,000 to 70,000 jobs.

How does the tourism industry compare?

Mr. TOOHEY. Well, both the State Department and the Defense Department use a very sophisticated input-output model to measure the number of jobs generated by expenditures. And, while Tom Lloyd is the expert on this subject, it would seem to me that, if we used the same economic measuring system, the number of jobs in tourism would rise from 36,000, which we conservatively claim in our testimony, to around 88,000 for each $1 billion of receipts.

Senator PRESSLER. I would like to pursue the jobs angle more, and I am going to submit several questions on the jobs-creation aspect of this to you, as well as some questions Senator Inouye may have. I would like to ask these orally, but, under the time constraints we are faced with, we are going to put them in the record. We want to thank you very much for your fine testimony.

Mr. ASHMAN. Thank you.

Mr. TOOHEY. Thank you.

[The statement follows:]

STATEMENT OF RICHARD T. ASHMAN, CHAIRMAN, AND WILLIAM D. TOOHEY, VICE CHAIRMAN, TRAVEL AND TOURISM GOVERNMENT AFFAIRS POLICY COUNCIL

The Travel and Tourism Government Affairs Council appreciates the opportunity to present testimony in support of S. 212 which authorizes funds for the United States Travel and Tourism Administration (USTTA).

The Travel and Tourism Government Affairs Council, an affiliate of the Travel Industry Association of America, includes 28 major national travel and tourism trade organizations and is the official organization representing the industry on government issues of concern to the entire industry. The Council maintains an office at 1899 L Street, N.W., Washington, D.C. 20036, telephone 202-293-5407.

The travel industry continues to be vitally interested in the purposes of the National Tourism Policy Act and its designated principal instrument of policy implementation, The United States Travel and Tourism Administration. USTTA must have adequate funding in order to carry out the explicit intent of the Policy.

The Government Affairs Council supports the principles underlying the introduction of S. 212 which reverses the 6-year trend of continuous reductions in funding for USTTA. In addition, the multi-year authorization proposed should do much to improve USTTA's ability to develop cohesive ongoing marketing plans. It is imperative that USTTA be adequately funded, in order to generate jobs, increase federal tax revenues, improve export earnings, and restore the competitive position of the United States in the world market place.

The average spending among all countries of the world was over 100 times USTTA's funding in 1981 on a per capita basis. The average budget for national tourism organizations worldwide is $3.53 per capita compared to the United States at 3½ cents per capita. This far below average investment in USTTA activities has caused the United States to continue its 7-year decline in competitiveness to a rank of 64th in the world in terms of funding of national tourism organizations. (See Appendices 1, 2, 3, and 4.)

The United States' competitive position in the world has continued to slip each year since 1976 as USTTA's international promotion efforts were decreased with each successive budget cut. In 1981, when federal funding for international promotion declined to $5.8 million, other governments of the world increased their promotional funding by an average of 39 percent. On a per capital basis the United States ranked 56th worldwide in promotional spending in 1981 and has likely slipped further as funding for USTTA was reduced while the dollar continued to gain. (See Appendices 5, 6, and 7.)

The U.S. share of world tourism receipts declined from 13 percent in 1976 to 10.6 percent in 1982, parallelling this downward trend in USTTA funding. Each 1 percent of world market share in 1981 translated into $1 billion in export receipts; $95 million in federal, $59 million state, and $11 million in local taxes; and approximately 28,500 jobs. (See Appendix 8.) Other developed nations of the world receive an average of almost 3½ times as much in international travel receipts as the United States on a per capita basis (see Appendix 9) and over 3 times the market share received by the United States on a per capita basis. (See Appendix 10.) Should USTTA continue to be funded at the current noncompetitive level, the U.S. market share will likely continue to shrink to about 7.6 percent in 1988, accompanied by a loss of 81,000 jobs in addition to the 55,000 estimated to be lost in 1982 and 1983.

These prospective job losses could be avoided, those that are currently being lost could be restored, and significant numbers of new jobs could be generated if the Congress were to take two steps. First, if international travel promotion was viewed as a job generating activity of the government or, if you will, USTTA funding was viewed as a "jobs bill", over 200,000 new jobs could be generated over a 5-year period at a cost to the government of only $656 per job. This will be discussed later in the Council's testimony. Second, if the Congress were to pass, prior to 1984, visa waiver legislation long sought by the travel industry, now only would a significant number of new jobs be generated within 1 year, but an important boost would be given to the Louisiana World Exposition and the summer Olympic Games in Los Angeles.

S. 212 is a promising beginning, moving the United States toward a more competitive position in the world market place. While travel and tourism is the second largest retail or service industry in the United States accounting for 6.5 percent of GNP; and generating 179,000 new jobs, 18 percent of all new jobs created in the recessionary year of 1981, and 27 percent of all new jobs created in the United States in 1979, 1980 and 1981. (See Appendix 11), the United States spent only 8/100 of 1 percent of tax receipts it received from this economic activity on funding for USTTA. It is indisputable that additional spending by the government would increase federal revenues, contribute positively to the balance of payments and reduce unemployment.

Should USTTA be funded at $13 million in 1984 as proposed in S. 212, federal tax revenues generated by international visitors would return that funding in just 7 days. Federal tax revenues for 1984 would increase by an estimated $75 million. In addition, 25,000 new jobs would be created.

The Council recognizes the need for federal fiscal restraint by the Administration and the Congress to reduce the federal deficit. However, international travel promotion has proven employment and tax revenue generating potential. The Council thus believes that it is far more prudent to invest further in such promotion, rather than to forego the substantial tax revenues and new employment that could be generated. We therefore urge the U.S. Senate to support S. 212. (See appendix 14 for a discussion of the principal factors driving the international tourism market.)

TAX REVENUE POTENTIAL OF S. 212 [1]

Funding USTTA for 3 years at the levels proposed in S. 212 would generate an estimated $273 million more in federal tax revenues than continued level funding at $7.6 million. A USTTA appropriation of $13 million in 1984, with a sophisticated marketing program properly focused on correctly targeted foreign markets, would likely produce a $75 million increase in federal tax revenues over revenues anticipated in 1983.

The proposed $14 million allocation for 1985, if appropriated, would generate $91 million more in federal tax revenues than are likely with level funding at 1983 levels. A USTTA budget of $15 million in 1986 would generate an estimated $107 million more in federal tax revenues than level funding would generate.

	1983	1984	1985	1986
Taxes generated by S. 212 (million dollars)	N/A	697	713	729
Taxes generated by level funding (millions dollars)	622	622	622	622
Net gain	N/A	75	91	107

Total additional tax revenues generated by S. 212 equals $273 million.

JOB GENERATING POTENTIAL OF S. 212 [1]

Funding USTTA at $13, $14 and $15 million over the next 3 years would generate an estimated 55,000 more jobs for U.S. workers than level funding would achieve over the same 3-year period. A USTTA budget of $13 million for 1984 would likely generate 25,000 new jobs within the first year recovering, in part, the estimated 19,000 jobs expected to be lost in 1983 due to the inadequacy of level funding at $7.6 million. With level funding an additional 17,000 jobs would likely be lost in 1984.

While a 1985 budget of $14 million is not likely to be sufficient to permanently maintain the jobs gained in 1984, the expected loss would be limited to 10,000 jobs compared to an anticipated loss of 17,000 jobs expected from level funding at $7.6 million in 1985. Funding USTTA in 1986 at $15 million would likely hold job losses to 10,000 compared to the anticipated 16,000 that would be lost with level funding.

	1983	1984	1985	1986
Employment generated by S. 212	N/A	396,000	386,000	376,000
Employment gained/lost over previous year	N/A	25,000	(10,000)	(10,000)
Employment generated by level funding	371,000	354,000	337,000	321,000
Employment gained/lost over previous year	(19,000)	(17,000)	(17,000)	(16,000)
Additional jobs generated by S. 212 over level funding	N/A	42,000	49,000	55,000

Total additonal jobs generated by S. 212 = 55,000 jobs.

U.S. EXPORT EARNINGS POTENTIAL OF S. 212 [2]

Funding USTTA at the levels proposed would likely contribute an estimated $5.1 billion more in U.S. international receipts from foreign visitors (export earnings) than level funding at $7.6 million per year over the 3-year period. A properly developed U.S. marketing plan could increase U.S. export earnings from international tourism by 11 percent in 1984 generating $1.4 billion in additional international receipts.

Funding USTTA at $14 million in 1985 would increase export earnings by $1.7 billion over level funding at the 1983 level of $7.6 million. The $15 million proposed

[1] See Figure 1 for details.
[2] See Figure 1 for details.

by S. 212 for 1986, if appropriated, would generate an estimated $2.0 billion more in export earnings over international receipts anticipated from level funding.

	1983	1984	1985	1986
Receipts generated by S. 212 (billion dollars)	N/A	13.1	13.4	13.7
Receipts generated by level funding (billion dollars)	11.7	11.7	11.7	11.7
Net gain	N/A	1.4	1.7	2.0

Total additional receipts generated by S. 212 equals $5.1 billion.

POTENTIAL IMPACT OF S. 212 ON U.S. MARKET SHARE OF INTERNATIONAL TOURISM RECEIPTS [3]

The impact of funding USTTA at the levels proposed in S. 212 would be to reverse the U.S. decline in market share of international tourism receipts in 1984 and substantially improve the U.S. market share over what could be expected from level funding in 1985 and 1986.

Initially, in 1984, an increase in market share of 10.8 percent could be expected from a $13 million USTTA budget, compared to an anticipated 10.1 percent market share for 1983 and 9.6 percent for 1984 with level funding. A USTTA budget of $14 million in 1985 would likely produce a U.S. market share of 10.4 percent, 14 percent better than the 9.1 percent market share anticipated with level funding. Funding USTTA at $15 million in 1986 would result in a 10 percent U.S. market share, almost 18 percent better than the 8.5 percent anticipated with continued level funding.

[In percent]

	1983	1984	1985	1986
Market share generated by S. 212	N/A	10.8	10.4	10.0
Market share generated by level funding	10.1	9.6	9.1	8.5
Net gain	N/A	1.2	1.3	1.5

Clearly S. 212 is a move in the right direction. USTTA appropriations declined from $14.5 million in 1977 to $7.6 million in 1983 (excluding the $500,000 appropriation earmarked for Hawaii disaster relief). Even if this decline in funding were arrested and funding remained constant over the next 5 years at $7.6 million, U.S. share of international receipts would likely continue to decline to 7.6 percent by 1988. This decline in U.S. market share will be difficult to arrest for a number of reasons.

Until the current worldwide recession, the size of the world tourism market grew at a rate of 19.28 percent per year over the 5-year period 1977–1981 (See Appendix 12), shrinking to a 4 percent growth rate from 1981 to 1982. The expansion of the world market is expected to recover between 1983 and 1985, returning to a sustainable annual growth rate of at least 6 percent per year thereafter, based upon Council estimates.

While the United States has been reducing its promotion efforts overseas or maintaining promotional efforts at noncompetitive levels, other countries have been increasing their promotional efforts. For example, the average increase in promotional spending in 1981 over 1980 by governments worldwide was 39 percent, up from a worldwide average increase the prior year of 18 percent. Over the 5-year period (1977–1981) the United States decreased its promotional spending by 42.6 percent while Germany increased its overseas promotional efforts by 24 percent, France by 156 percent, Spain by 83 percent, Singapore by 28 percent, Canada by 23 percent, and Sri Lanka by 177 percent.

One of the unique aspects of the world tourism market is that third world nations, regardless of size, can directly and successfully compete with the United States for international visitors. It is these undeveloped nations which are intensifying government-to-government competition in the world marketplace with increased spending on promotion and increasingly sophisticated marketing programs. Not

[3] See Figure 1 for details.

only has the United States dropped to 56th (1981) in ranking in terms of promotional spending worldwide on a per capita basis, it has done little to increase its marketing sophistication in the face of increasingly aggressive competition.

The Council, with grave concern for our slipping competitiveness and shrinking market share, and awareness of Congressional initiatives to increase jobs, has developed a hypothetical funding scenario that would return the United States to a 13 percent market share over a 5-year period. This 13 percent Market Share Scenario would require a USTTA 1984 budget of $17.5 million rising to $39.5 million in 1988 in order to return the United States to a 13 percent market share in 5 years.

TAX REVENUE POTENTIAL OF THE 13 PERCENT MARKET SHARE SCENARIO [4]

Funding USTTA for 5 years at $17.5 million in 1984, rising to $39.5 million in 1988 would generate $1.4 billion more in federal tax receipts than level funding at $7.6 million per year would achieve over the same period and $1.1 billion more than S. 212. A USTTA budget of $17.5 million in 1984 would increase federal tax revenues by an estimated $138 million over 1983 estimated tax receipts. Funding USTTA at $21.8 million in 1985 would increase federal tax revenues by an estimated $197 million more than level funding.

A 1986 USTTA budget of $26.2 million would increase federal tax revenues by an estimated $261 million over level funding. With a budget of $32.7 million in 1987, federal tax receipts would likely increase $352 million over what could be expected from level funding at the 1983 level of $7.6 million. A 1988 USTTA budget of $39.5 million would likely increase federal tax receipts by $447 million over level funding.

	1983	1984	1985	1986	1987	1988
Taxes generated by the 13 percent market share scenario (million dollars)	N/A	760	819	883	974	1,069
Taxes generated by level funding (million dollars)	622	622	622	622	622	622
Net gain	N/A	138	197	261	352	447

Total additional tax revenues generated by 13 percent scenario equals $1.4 billion.

JOB-GENERATING POTENTIAL OF THE 13 PERCENT MARKET SHARE SCENARIO [5]

Funding USTTA at $17.5 million in 1984, rising to $39.5 million in 1988, would generate 210,000 more jobs than level funding would achieve over the 5-year period and 154,000 more jobs than S. 212. The funding level of USTTA hypothesized in this scenario for 1984 would likely generate 61,000 new jobs with an additional 11,000 jobs estimated to be added in 1985.

A 1986 USTTA budget of $26.2 million would generate another 12,000 new jobs and budgets of $32.7 million in 1987 and $39.5 million in 1988 would add 23,000 and 22,000 new jobs respectively. These figures compare with job losses anticipated with level funding at 18,000 in 1984, 17,000 in 1985, 16,000 in 1980, 15,000 in 1987 and 15,000 in 1988, totaling 81,000 jobs lost over 5 years.

	1983	1984	1985	1986	1987	1988
Employment generated by the 13 percent scenario	N/A	432,000	443,000	455,000	478,000	500,000
Employment gained/lost over previous year	N/A	61,000	11,000	12,000	23,000	22,000
Employment generated by level funding	371,000	354,000	337,000	321,000	306,000	291,000
Employment gained/lost over previous year	(19,000)	(17,000)	(17,000)	(16,000)	(15,000)	(15,000)
Additional jobs generated by 13 percent scenario over level funding	N/A	78,000	28,000	28,000	38,000	37,000

Total additional jobs generated by 13 percent scenario equal 210,000 jobs.

U.S. EXPORT EARNINGS POTENTIAL OF THE 13 PERCENT MARKET SHARE SCENARIO [6]

Funding USTTA at the levels previously discussed would help to nearly double U.S. receipts (export earnings) from international tourism rising from an estimated

[4] See Figure 2 for details.
[5] See Figure for details.
[6] See Figure 2 for details.

$11.7 billion in 1983 to $20.1 billion in 1988 compared to $11.7 billion anticipated in 1988 from level funding and $14.2 billion from S. 212. This scenario would likely generate as estimated 26.2 billion more in U.S. international receipts from foreign visitors than level funding at $7.6 million per year over the 5-year period and $16.4 billion more than S. 212 extended to 5 years.

A USTTA budget of $17.5 million in 1984 would help generate an estimated $14.3 billion in receipts, and increase of $2.6 billion over 1983. A 1985 budget of $21.8 million would help generate an estimated $15.4 billion in receipts, $3.7 billion more than level funding would generate. Funding for 1986 at $26.2 million would help generate an estimated $16.6 billion in receipts, $4.9 billion more than level funding. Budgets of $32.7 million in 1987 and $39.5 million in 1988 would help generate an estimated $18.3 billion and $20.1 billion respectively.

	1983	1984	1985	1986	1987	1988
Receipts generated by the 13 percent market share scenario (billion dollars)	N/A	14.3	15.4	16.6	18.3	20.1
Receipts generated by S. 212 (billion dollars)	N/A	13.1	13.4	13.7	13.9	14.2
Receipts generated by level funding (billion dollars)	11.7	11.7	11.7	11.7	11.7	11.7
Additional receipts generated by 13 percent scenario over level funding	N/A	2.6	3.7	4.9	6.6	8.4

Total additional receipts generated by 13 percent scenario over S. 212 equal $16.4 billion.
Total additional recepits generated by 13 percent scenario over level funding equal $26.2 billion.

POTENTIAL IMPACT OF THE 13 PERCENT MARKET SHARE SCENARIO ON U.S. MARKET SHARE OF INTERNATIONAL TOURISM RECEIPTS [7]

The impact of funding USTTA at levels discussed would increase U.S. market share from the anticipated 1983 level of slightly more than 10 percent to the scenario's stated goal of 13 percent compared to 7.6 percent with level funding and 9.2 percent with S. 212.

[In percent]

	1983	1984	1985	1986	1987	1988
Market share generated by 13 percent scenario	N/A	11.7	11.9	12.1	12.6	13.1
Market share generated by S. 212	N/A	10.8	10.4	10.0	9.5	9.2
Market share generated by level funding	10.1	9.6	9.1	8.5	8.1	7.6
Additional market share generated by 13 percent scenario over S. 212	N/A	0.9	1.5	2.1	3.1	3.9
Additional market share generated by 13 percent scenario over level funding	N/A	2.1	2.8	3.6	4.5	5.5

As illustrated by the 13 percent Market Share Scenario, investment in international promotion is clearly defensible from the government's point of view as a job-generating activity, over 200,000 new jobs over 5 years at a cost of $656 per job. Similarly, federal expenditures of $137.8 million over 5 years would generate over $4.5 billion in federal tax revenues and could therefore clearly be undertaken as a revenue-enhancement activity. Further, the ability of investment in international promotion to generate export earnings clearly enhances federal efforts to maintain a positive balance of payments.

It is clear to the travel industry that increased funding for USTTA is in the national interest from a jobs-generating, revenue-enhancing, and foreign-trade-policy point of view. S. 212 should be fully supported as an important step toward a rational spending policy that contributes to the viability of hundreds of thousands of small business in the United States but even more importantly supports Administration and Congressional efforts to minimize and reduce unemployment, generate additional federal revenues, and improve our balance of payments.

[7] See Figure 2 for details.

FIGURE 1.—HISTORIC DATA AND PROJECTIONS BASED ON S. 212

	World tourism receipts (billion dollars)	U.S. international receipts (billion dollars)	U.S. share of world market (percent)	USTS/ USTTA total budget (million dollars)	USTS/ USTTA overseas expenditures (million dollars)	Estimated Federal taxes generated (millions)	Estimated employment generated (in thousands)	Estimated new jobs generated/ jobs lost (in thousands)
1975	35.97	4.7	13.1	11.2	7.9	250	224	.....
1976	43.85	5.7	13.0	12.8	7.8	304	258	34
1977	53.45	6.2	11.6	14.5	8.7	330	266	8
1978	65.45	7.2	11.0	14.2	9.2	384	294	28
1979	78.30	8.3	10.6	13.5	10.0	440	322	28
1980	95.28	10.1	11.0	8.0	5.8	538	372	50
1981	[1] 106.10	12.2	11.5	8.0	5.8	[5] 650	427	55
1982	[1] 110.52	11.7	10.6	7.6	5.5	[5] 622	[6] 390	(37)
1983	[1] 116.05	[2] 11.7	10.1	7.6	[4] 5.5	[5] 622	[6] 371	(19)
1984	[1] 121.85	[2] 13.1	10.8	[3] 13.0	[4] 9.5	[5] 697	[6] 396	25
1985	[1] 129.16	[2] 13.4	10.4	[3] 14.0	[4] 10.2	[5] 713	[6] 386	(10)
1986	[1] 136.91	[2] 13.7	10.0	[3] 15.0	[4] 11.0	[5] 729	[6] 376	(10)
1987	[1] 145.12	[2] 13.9	9.5	[3] 16.0	[4] 11.7	[5] 739	[6] 363	(13)
1988	[1] 153.83	[2] 14.2	9.2	[3] 17.0	[4] 12.4	[5] 755	[6] 353	(10)

[1] World tourism receipts which grew at a rate of 19.28 percent per year for the period of 1976–1981 were estimated to increase 4 percent (1981–1982) repressed by worldwide recession, estimated to increase 5 percent (1982–1983, 1983–1984), and 6 percent per year thereafter.
[2] Total U.S. international receipts (export earnings) estimates were based on two assumptions. First, the $5.5 million spent in 1982 by USTTA on international promotion probably had little or no effect on number of visitors or U.S. international receipts from tourism—a conservative assumption. Second, spending above this level would likely produce the same results as the average effect of other countries' spending on promotion. Therefore, for promotional spending up to $5.5 million, it was assumed that U.S. receipts would be the same as 1982, discounting inflation, and that USTTA spending above this amount would produce similar results to the international 5-year average of national government promotional spending related to receipts of 60 countires—also a conservative approach which eliminates the effect of currency fluctuations and invididual countries' periodic economic difficulties.
[3] Total USTTA budget assumed to be $13 million 1984, $14 million in 1985, and $15 million in 1986, as proposed by S. 212, and increasing $1 million per year thereafter.
[4] Share of USTTA budget for overseas expenditures in 1981 was 72.5 percent of total budget and assumed to be constant thereafter as required by the National Tourism Policy Act.
[5] Federal tax revenues were estimated as a constant percent of international receipts using 1981 as a base at 5.32 percent.
[6] Employment estimates deflated by 5 percent per year to account for earnings growth based on actual figures for 1981.

Note: Figures for 1984 do not take into account the likely significant economic impact of the World Fair and the Olympic Games.

FIGURE 2.—HISTORIC DATA AND PROJECTIONS BASED ON A 13 PERCENT MARKET SHARE SCENARIO

	World tourism receipts (billion dollars)	U.S. International Receipts (billion dollars)	U.S. Share of World Market (percent)	USTS/ USTTA Total Budget (million dollars)	USTS/ USTTA Overseas Expenditures (million dollars)	Estimated Federal Taxes Generated (million dollars)	Estimated Employment Generated (in thousands)	Estimated New Jobs Generated/ Jobs Lost (in thousands)
1975	35.97	4.7	13.1	11.2	7.9	250	224	.....
1976	43.85	5.7	13.0	12.8	7.8	304	258	34
1977	53.45	6.2	11.6	14.5	8.7	330	266	8
1978	65.45	7.2	11.0	14.2	9.2	384	294	28
1979	78.30	8.3	10.6	13.5	10.0	440	322	28
1980	95.28	10.1	11.0	8.0	5.8	538	372	50
1981	[1] 106.10	12.2	11.5	8.0	5.8	[5] 650	427	55
1982	[1] 110.52	11.7	10.6	7.6	5.5	[5] 622	[6] 390	(37)
1983	[1] 116.05	[2] 11.7	10.1	7.6	[4] 5.5	[5] 622	[6] 371	(19)
1984	[1] 121.85	[2] 14.3	11.7	17.5	[4] 12.8	[5] 760	[6] 432	61
1985	[1] 129.16	[2] 15.4	11.9	21.8	[4] 15.9	[5] 819	[6] 443	11
1986	[1] 136.96	[2] 16.6	12.1	26.2	[4] 19.1	[5] 883	[6] 455	12
1987	[1] 145.18	[2] 18.3	12.6	32.7	[4] 23.9	[5] 974	[6] 478	23
1988	[1] 153.87	[2] 20.1	13.1	39.6	[4] 28.9	[5] 1,069	[6] 500	22

[1] World tourism receipts which grew at a rate of 19.28 percent per year for the period of 1976–1981 were estimated to increase 4 percent (1981–1982) repressed by worldwide recession, estimated to increase 5 percent (1982–1983, 1983–1984), and 6 percent per year thereafter.
[2] Total U.S. international receipts (export earnings) estimates were based on two assumptions. First, the $5.5 million spent in 1982 by USTTA on international promotion probably had little or no effect on number of visitors or U.S. international receipts from tourism—a conservative assumption. Second, spending above this level would likely produce the same results as the average effect of other countries' spending on promotion. Therefore, for promotional spending up to $5.5 million, it was assumed that U.S. receipts would be the same as 1982, discounting inflation, and that USTTA spending above this amount would produce similar results to the international 5-year average of national government

promotional spending related to receipts of 60 countries—also a conservative approach which eliminates the effect of currency fluctuations and individual countries' periodic economic difficulties.

[3] Total USTTA budget assumed to be $13 million 1984, $14 million in 1985, and $15 million in 1986, as proposed by S. 212, and increasing $1 million per year thereafter.

[4] Share of USTTA budget for overseas expenditures in 1981 was 72.5 percent of total budget and assumed to be constant thereafter as required by the National Toursim Policy Act.

[5] Federal tax revenues were estimated as a constant percent of international receipts using 1981 as a base at 5.32 percent.

[6] Employment estimates deflated by 5 percent per year to account for earnings growth based on actual figures for 1981.

Note: Figures for 1984 do not take into account the likely significant economic impact of the World Fair and the Olympic Games.

Appendix 1

Travel and Tourism Government Affairs Council
An Affiliate of the
Travel Industry Association of America

Per Capita Spending by National Government Tourism Organizations

The average among all countries of the world is over 100 times as much as USTTA's funding on a per capita basis.

The average budget for national tourism organizations worldwide is $3.53 per capita compared to the U.S. at 3½ cents per capita.

National Government Funding of USTTA's Counterparts Worldwide on a Per Capita Basis (1981)

1. Bahamas 85.39
2. Curacao 24.30
3. Guam 17.76
4. Singapore 10.27
5. Czechoslovakia 9.82
6. Malta 8.77
7. New Caledonia 6.58
8. Greece 6.12
9. Jamaica 5.78
10. Cyprus 4.91
11. Belgium 4.53
12. Macao 3.65
13. Libya 3.01
14. Hong Kong 2.16
15. Tonga 1.91
16. Finland 1.79
17. Iceland 1.77
18. Venezuela 1.67
19. Syria 1.65
20. Luxembourg 1.58
21. St. Vincent & The Grenadines 1.58
22. Spain 1.52
23. Turkey 1.33
24. Canada 1.20
25. Peru 1.11
26. Dominica .99
27. Netherlands .96
28. Norway .90
29. Rwanda .87
30. Korea .76
31. Australia .75
32. Equador .75
33. Hungary .73
34. Malaysia .70
35. Colombia .68
36. Senegal .61
37. Ghana .53
38. France .52
39. Jordan .43
40. Chile .40
41. Algeria .40
42. Italy .36
43. Lesotho .36
44. Cameroon .33
45. Yugoslavia .27
46. Bolivia .27
47. Germany .26
48. Zambia .26
49. Paraguay .24
50. Sri Lanka .23
51. Argentina .22
52. Honduras .21
53. Togo .21
54. Sierra Leone .20
55. Tanzania .19
56. Yemen .16
57. Papua New Guinea .15
58. Brazil .13
59. Mauritius .13
60. Malawi .12
61. Kenya .12
62. Thailand .11
63. Botswana .06
64. **United States .035**

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Figures in U.S. Dollars

Travel and Tourism Government Affairs Council
An Affiliate of the Travel Industry Association of America

Per Capita Spending by Developed Nations' Tourism Organizations

The average budget for developed nations' tourism organizations worldwide is $2.33 per capita compared to the U.S. at 3½ cents per capita.

The average among developed nations of the world is over 66 times as much as USTTA's funding on a per capita basis.

Developed Nations' Government Funding of USTTA's Counterpart Worldwide on a Per Capita Basis (1981)

1. Czechoslovakia 9.82
2. Malta 8.77
3. Greece 6.12
4. Belgium 4.53
5. Finland 1.79
6. Iceland 1.77
7. Luxembourg 1.58
8. Spain 1.52
9. Canada 1.20
10. Netherlands 0.96
11. Norway 0.90
12. Australia 0.75
13. Hungary 0.73
14. France 0.52
15. Italy 0.36
16. Yugoslavia 0.27
17. Germany 0.26
18. **United States 0.035**

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

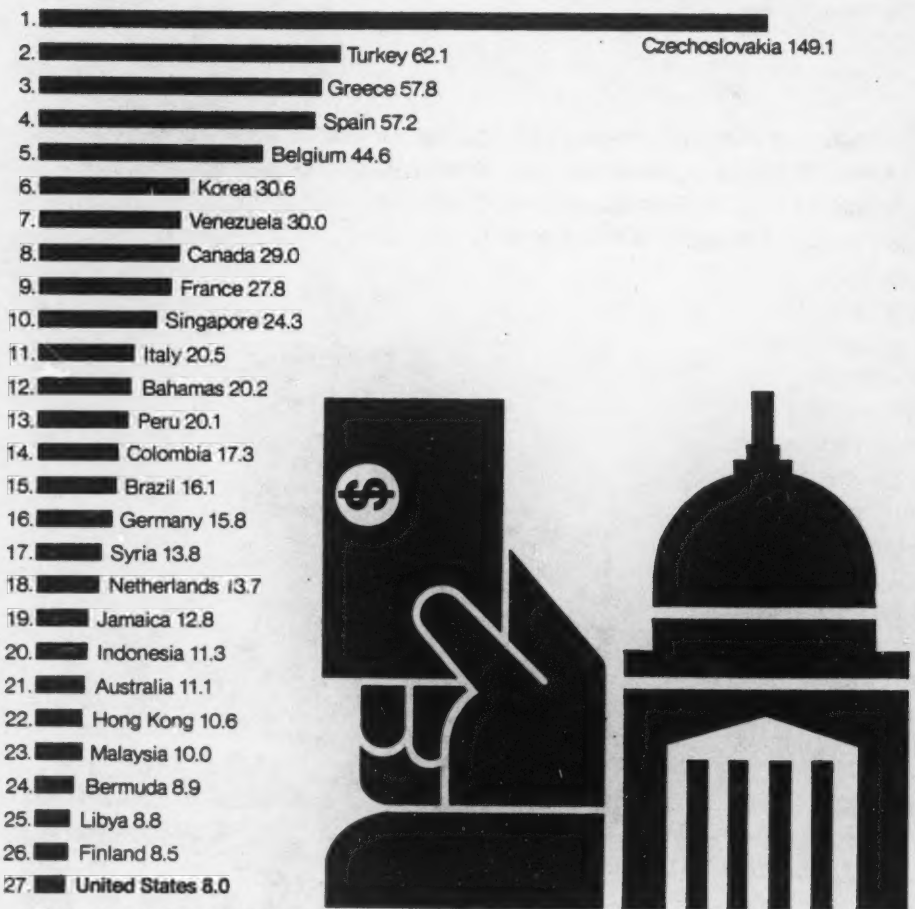
Figures in millions U.S. Dollars

Travel and Tourism Government Affairs Council
An Affiliate of the
Travel Industry Association
of America

National Government Funding of USTTA's Counterparts Worldwide (1981)

Total Spending by National Government Tourism Organizations

The average funding among developed nations of the world is almost 3.5 times as much as USTTA's funding.



Figures in millions U.S. Dollars

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Appendix 4

Travel and Tourism Government Affairs Council
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Total Spending by Developed Nations' Tourism Organizations

Developed Nations' Government Funding of USSTA's Counterpart Worldwide (1981)

The average funding among all countries of the world is over 4.5 times as much as USTTA's funding.

1. Czechoslovakia 149.1
2. Greece 57.8
3. Spain 57.2
4. Belgium 44.6
5. Canada 29.0
6. France 27.8
7. Italy 20.5
8. Germany 15.8
9. Netherlands 13.7
10. Australia 11.1
11. Finland 8.5
12. **United States 8.0**

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Figures in millions U.S. Dollars

Appendix 5

Travel and Tourism Government Affairs Council
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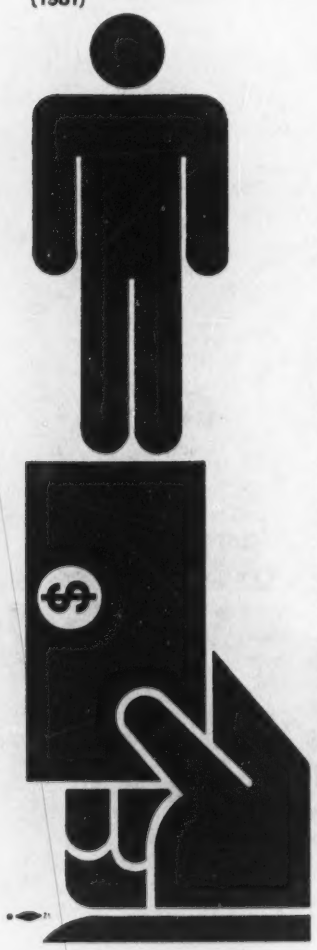
Travel Industry Association
of America

Promotion Spending Worldwide

The average increase in promotional spending in 1981 over 1980 by governments worldwide was 39%.

The average for all countries worldwide is almost 99 times greater than U.S. government promotional spending on a per capita basis.

National Government Promotion Spending Worldwide on a Per Capita Basis (1981)



1. Bahamas 62.56
2. Guam 14.57
3. Curacao 12.76
4. Botswana 9.36
5. Jamaica 5.78
6. Malta 5.61
7. Singapore 3.98
8. New Caladonia 3.38
9. Cyprus 2.56
10. Macao 2.50
11. Hong Kong 1.57
12. St. Vincent & The Grenadines 1.36
13. Czechoslovakia 1.33
14. Greece 1.30
15. Tonga 1.10
16. Canada .96
17. Finland .85
18. Luxembourg .84
19. Australia .67
20. Mauritius .65
21. Spain .57
22. Netherlands .46
23. Malaysia .28
24. Turkey .27
25. Hungary .25
26. Peru .24
27. Algeria .18
28. Kenya .18
29. Italy .17
30. Sri Lanka .16
31. Lesotho .16
32. Korea .15
33. Chile .13
34. Germany .13
35. Yugoslavia .12
36. Zambia .12
37. France .12
38. Senegal .12
39. Ghana .10
40. Colombia .09
41. Jordan .08
42. Morocco .07
43. Malawi .07
44. Congo .07
45. Equador .06
46. Tanzania .06
47. Honduras .06
48. Togo .05
49. Argentina .05
50. Papau New Guinea .04
51. Venezuela .04
52. Cameroon .04
53. Brazil .04
54. Thailand .03
55. Bolivia .03
56. **United States .03 (.025)**

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Figures in U.S. Dollars

Appendix 6

Travel and Tourism Government Affairs Council
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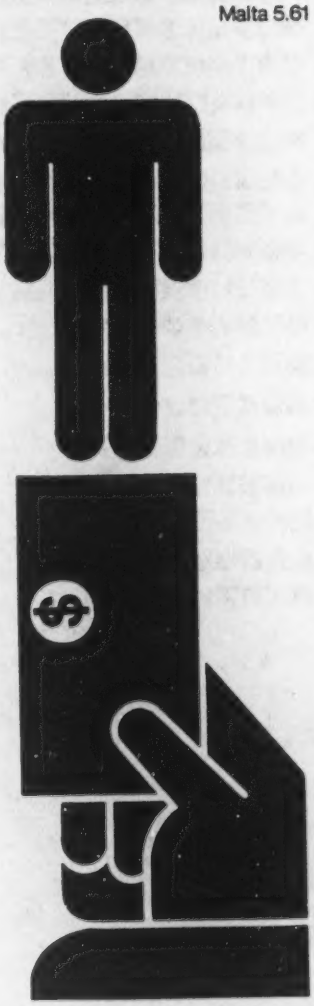
Travel Industry Association
of America

National Government Promotion Spending by Developed Nations of the World on a Per Capita Basis (1981)

Promotion Spending by Developed Nations

The average developed country in the world spends almost 36 times more than the U.S. on international promotion on a per capita basis.

1. Malta 5.61
2. Czechoslovakia 1.33
3. Greece 1.30
4. Canada .96
5. Finland .85
6. Luxembourg .84
7. Australia .67
8. Spain .57
9. Netherlands .46
10. Hungary .25
11. Italy .17
12. Germany .13
13. Yugoslavia .12
14. France .12
15. **United States .03 (.025)**



Source: World Tourism Organization and Travel and Tourism Government Affairs Council

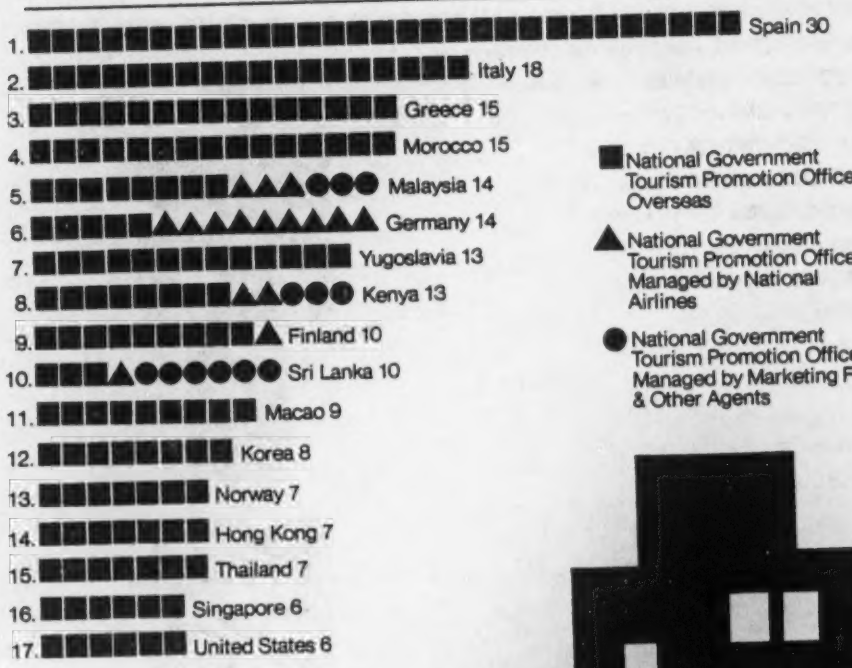
Figures in U.S. Dollars

Travel and Tourism Government Affairs Council
An Affiliate of the
Travel Industry Association of America

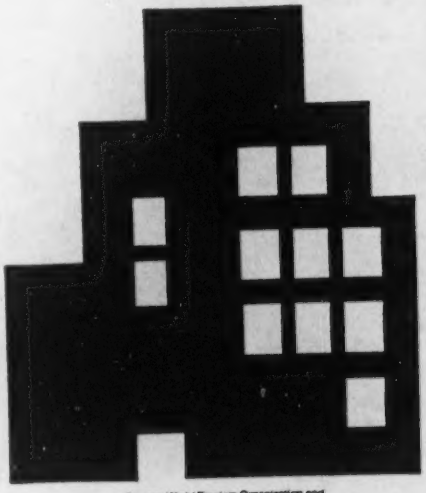
National Government Tourism Promotion Offices Overseas (1981)

Government Overseas Tourism Offices

Of the 97 countries on which information is available, 79 maintain foreign offices, 74 have overseas public relations programs, and 75 conduct overseas advertising programs.


1. Spain 30
2. Italy 18
3. Greece 15
4. Morocco 15
5. Malaysia 14
6. Germany 14
7. Yugoslavia 13
8. Kenya 13
9. Finland 10
10. Sri Lanka 10
11. Macao 9
12. Korea 8
13. Norway 7
14. Hong Kong 7
15. Thailand 7
16. Singapore 6
17. United States 6
National Government Tourism Promotion Offices Overseas
National Government Tourism Promotion Offices Managed by National Airlines
National Government Tourism Promotion Offices Managed by Marketing Firms & Other Agents

Overseas Promotion Functions Assigned to Diplomatic Missions Are Not Included



Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Travel and Tourism Government Affairs Council
An Affiliate of the
Travel Industry Association of America

U.S. Market Share of International Travel Receipts

U.S. share of world tourism receipts has declined from 13% in 1976 to 10.6% in 1980, returning to 11.5% in 1981 due primarily to a weak U.S. dollar.

Total World International Travel Receipts 1981
U.S. Market Share = 11.5%
Each additional 1% market share =
• $1 billion in receipts
• $95 million in federal taxes
• $49 million in state taxes
• $11 million in local taxes
• 28,500 new jobs

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Appendix 9

Travel and Tourism Government Affairs Council
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Travel Industry Association of America

Developed Nations International Tourism Receipts

Developed countries of the world receive an average of almost 3½ times as much in international travel receipts as the U.S. on a per capita basis.

Tourism Receipts Per Capita in Developed Nations (1981)

1. Austria 76¢
2. Switzerland 48¢
3. Denmark 24¢
4. Greece 20¢
5. Norway 19¢
6. Spain 18¢
7. Belgium 16¢
8. Finland 15¢
9. France 13¢
10. Italy 13¢
11. Sweden 12¢
12. United Kingdom 11¢
13. Canada 11¢
14. Netherlands 11¢
15. Germany 10¢
16. Portugal 10¢
17. Iceland 10¢
18. Australia 8¢
19. New Zealand 8¢
20. Yugoslavia 6¢
21. **United States 5¢**

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Figures in U.S. Dollars

Appendix 10

Travel and Tourism Government Affairs Council
An Affiliate of the Travel Industry Association of America

World Tourism Receipts Market Share per 1 Million Population for Developed Countries (1981)

Developed Nations Market Share of World Tourism Receipts

The average developed country in the world receives over 3 times the market share received by the U.S. on a per capita basis.

1. Austria .72
2. Switzerland .45
3. Denmark .23
4. Greece .19
5. Spain .17
6. Norway .17
7. Belgium .15
8. Finland .14
9. France .13
10. Italy .12
11. Sweden .11
12. Germany .10
13. United Kingdom .10
14. Canada .10
15. Netherlands .10
16. Portugal .10
17. Iceland .09
18. Australia .08
19. New Zealand .08
20. Yugoslavia .06
21. **United States .05**

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Percent

Appendix 11

Travel and Tourism
Government Affairs Council
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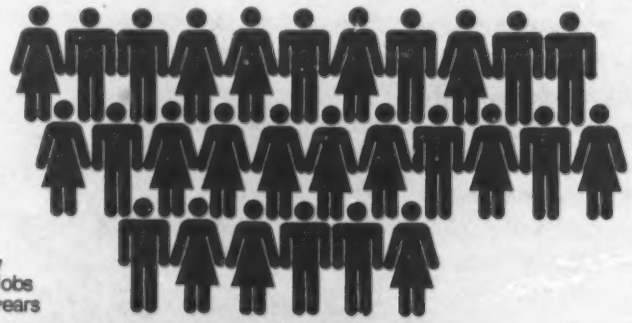
Travel Industry Association
of America

New Jobs Generated
by Travel and Tourism

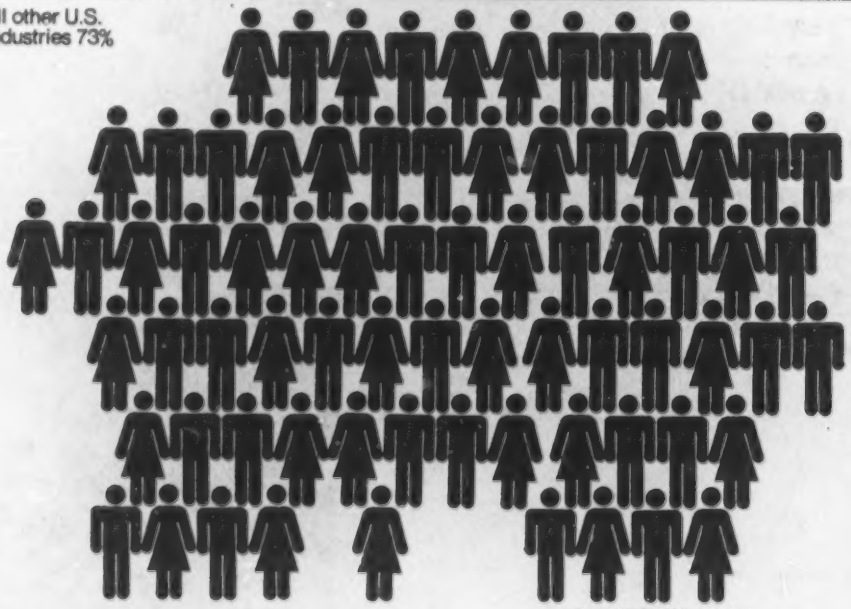
New Jobs Created
in the U.S. in the Past 3 Years
(1979, 1980 & 1981)

Travel and Tourism created 179,000 new jobs in 1981 while unemployment generally was rapidly increasing.



Travel & Tourism Industry
Created 27% of all New Jobs
in the U.S. in the Past 3 years

All other U.S.
Industries 73%

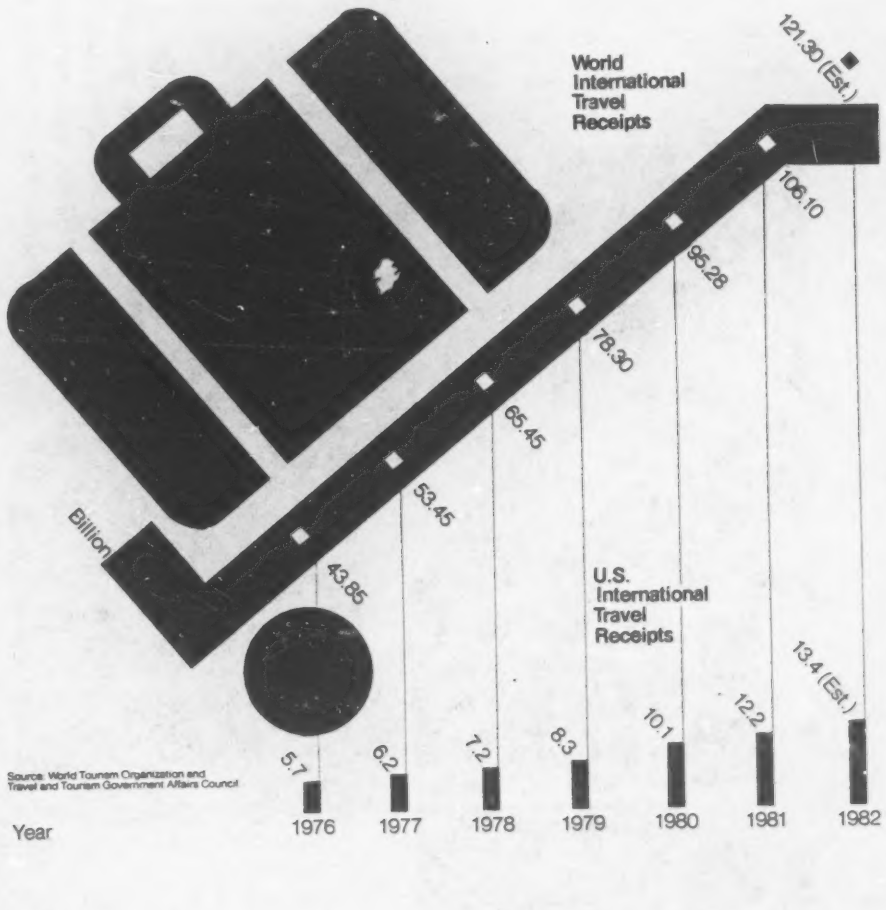


Source: U.S. Travel Data Center and
Travel and Tourism Government Affairs Council

Travel and Tourism Government Affairs Council
An Affiliate of the Travel Industry Association of America

Growth in International Travel Receipts

The size of the international travel market has grown at an average rate of 19.28% per year for the last 5 years. U.S. growth in international travel receipts has trailed this growth by 5% on average over the last 5 years.



Source: World Tourism Organization and Travel and Tourism Government Affairs Council

Appendix 13

Travel and Tourism Government Affairs Council
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Travel Industry Association
of America

Government Spending & Tourism Receipts

Economies around the world are receiving $3,364 every second from international travel and tourism activity.

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

APPENDIX 14.—PRINCIPAL FACTORS DRIVING THE INTERNATIONAL TOURISM MARKET

By far the most important factor in determining the number of international visitors traveling to a major tourism destination country is the relative strength or weakness of the destination country's currency relative to the currency in each tourism generating country. For example, when the U.S. dollar is weak compared to the currency of principal tourism-generating countries, the number of foreign visitors arriving in the United States increases and, of course, U.S. receipts from international tourism increases as well. Conversely, when the U.S. dollar is strong, in relative terms, it is expensive to visit the United States and consequently demand is repressed. In most respects international travel and tourism operates like any other export product; competitive pricing improves sales in the international market place.

In addition, when the United States becomes a relative bargain compared to competing destination countries, the U.S. private sector increases promotional spending, with individual companies competing against each other to maintain market share in the expanding market. Since it is easier to sell a "bargain" than an expensive product, companies that normally don't promote in the international arena enter the competition as a matter of opportunity and withdraw promotional efforts when the United States is no longer a bargain. Likewise, companies that continually rely on the international market will increase promotional efforts in order to maintain their market share or capitalize on the opportunity. This increased private sector promotional effort has a collateral effect of expanding further the overall demand to visit the United States, but only marginally. This increased promotional effort by individual companies is not a substitute for generic promotion of the United States as a destination but does have a modest impact on the overall demand.

The second most important factor driving international visitor flows is the economic and political conditions in tourism-generating countries and destination countries. For instance, the economic crisis in Mexico has substantially reduced the number of outbound tourists to the United States both because the United States suddenly became a more expensive destination based on relative currency values between the two countries and because of other internal economic dislocations than dampened travel demand. Due to a different situation, armed conflict in Iran, Iraq, Afghanistan, etc., has dried up inbound tourism for political reasons.

In a much more subtle way, but also significant, the "image" of a destination country affects tourism demand. For example, when the United States receives negative press in a generating country over a period of time, potential visitors' desire to travel to the United States will wane. Conversely, if the media in a generating country gives the United States friendly coverage over a period of time, demand for travel to the United States increases.

The third factor, which determines levels of tourism traffic a destination country receives, is the effectiveness and quantity of international promotion conducted. While promotional efforts rarely cause quick and dramatic increases in international visitors to a destination country, they can and do positively impact the economic fortunes of a country. For example: Germany has increased its tourism promotion budget by 24 percent in the last 5 years. During this same period their international tourism receipts increased 106 percent. Sri Lanka has increased its tourism promotion budget 177 percent in the last 5 years while international tourism receipts increased 245 percent. France increased its tourism promotion budget by 156 percent in the last 5 years with international tourism receipts rising 164 percent. In the past 5 years, Spain increased its tourism promotion budget by 83 percent while its receipts from international tourism rose 126 percent. Singapore has increased its tourism promotion budget by 28 percent while its international tourism receipts rose 213 percent in the 5-year period. Canada (almost in lock-step with the United States in terms of exchange rates and economic and political conditions over the 5-year period, 1977–1981), increased its tourism promotion budget by 23 percent while its receipts from international tourism rose by 38 percent. While the effectivenes and quantity of these countries' international promotion may not be the sole cause of their respective increases in international tourism receipts, it is clearly a major contributing factor confirming the importance of national government promotion in a country's preformance in the world tourism market.

If a country's currency strength/weakness relative to its generating markets remains stable and if the economic and political conditions in each destination and generating-market country pair remain unchanged, then the effectiveness and quantity of the destination country's promotional program becomes the preeminent driving force in the marketplace. This will be true whether the destination country is relatively expensive or a relative bargain to visitors from generating countries.

Tourism promotion is "controllable" in a policy and economic sense to a much greater degree than exchange rates or general economic and political conditions. Therefore, a country can, as a matter of choice, increase its earnings from international tourism by improving the effectiveness of its promotional activities and/or by increasing the quantity of the promotion it produces.

Senator PRESSLER. At this time I will call on Howard James, chairman, Travel and Tourism Industry Advisory Council, president and chief executive officer, the Sheraton Corp.; Mr. William Walton, vice chairman, Travel and Tourism Industry Advisory Council, chairman of Walton Enterprises of Germantown, Tenn.; and Richard Kelly, my friend, president of the Town House Best Western Motel, the best place to stay when you find yourself in Sioux Falls.

I am glad to have you here. Unfortunately, we are under a time bind. I have to preside over the full Senate at 12. That is one of the disadvantages of being in the majority. You cannot find anybody to substitute for you when you get assigned to that duty, so I must be there.

If we do not get far enough we will go over to this afternoon, or we can divide up the time remaining between the panels. Does anybody have any strong feeling? I would be happy to come back this afternoon, but I think if we move along, if we summarize our statements and just boil it down, I think we can make it.

I see heads nodding so we will do that. Let's see. We have four more panels and we have about 40 minutes. That would be 10 minutes a panel. So, if you can do your whole show in 10 minutes it would be much appreciated.

STATEMENTS OF HOWARD JAMES, CHAIRMAN, TRAVEL AND TOURISM INDUSTRY ADVISORY COUNCIL, AND PRESIDENT AND CHIEF EXECUTIVE OFFICER, SHERATON CORP.; WILLIAM B. WALTON, VICE CHAIRMAN, TRAVEL AND TOURISM INDUSTRY ADVISORY COUNCIL, AND CHAIRMAN OF WALTON ENTERPRISES; AND RICHARD KELLY, PRESIDENT, TOWN HOUSE BEST WESTERN MOTEL

Mr. JAMES. Mr. Chairman, I am Howard James, chairman of the U.S. Senate Commerce Committee's Travel and Tourism Advisory Council and treasurer of the American Hotel and Motel Assoc. When I have time, I am also the chairman and chief executive office of the Sheraton Corp.

I would like to say that I have submitted my written testimony and I will not go through it per se. I would like to deviate from it and just pull some of the highlights from it.

I apologize for mentioning my private concern, The Sheraton Corp., but I have some new figures that are 1982 figures and I think they would be of interest to this panel. They certainly were to me, and they are quite shocking.

Sheraton has a worldwide system of hotels currently numbering 450 and inns in 52 countries. The majority of our properties, 350 and 85,000 rooms, are located in the United States. Sheraton worldwide spent $40 million annually for advertising and promotion of international travel, and I want to reiterate that because one of the arguments that we have been receiving for years is that pri-

vate industry should be carrying the load insofar as promotion of tourism to the United States.

We spend $40 million annually for advertising and promotion of international travel. These expenditures are spent proportionately to promote our hotels in the United States and in other destinations. Of course, 85 percent of those expenditures are expended to promote people to come to this country. However, in many countries Sheraton Hotel efforts to boost tourism have healthy support from the national government expenditures. The budget for the U.S. expenditures to tourism developed ranked 27th this last year. Sheraton has hotels in 20 countries which gave considerably more than that amount of money from our country.

Foreign travel to the United States fell for the first time in 20 years during 1982 after the previous year, when foreign visitors to this country spent more than U.S. travelers abroad, reversing the balance of payments. And the figures that I wanted to make clear this morning and which were quite shocking to me, European transient business in 1982 to our five New York hotels decreased 20 percent over the previous year—that is 1982 over 1981.

Our group business from Europe was down 35 percent. At our largest Miami and Florida hotels, transient business from Europe decreased 25 percent, and in San Francisco our hotels reported European transients and groups together dropped by 35 percent from 1981 to 1982.

This poor showing of inbound tourism in 1982 is partially a reflection of the limitation of promotional efforts by the new USTTA. We would heartily support your bill, S. 212, and will work actively, as you will see this afternoon in our committee, to see that the necessary sponsorship in Senators is increased yet today.

Senator PRESSLER. We are going to get 50 cosponsors, right?

Mr. JAMES. I would not say 50, but we are going to get it increased today.

[The statement follows:]

STATEMENT OF HOWARD P. JAMES

Mr. Chairman, and members of the committee, I am Howard P. James, chairman of the U.S. Senate Commerce Committee's Travel and Tourism Advisory Council and treasurer of the American Hotel & Motel Association. I am also the chairman and chief executive officer of The Sheraton Corporation.

Sheraton has a worldwide system of hotels, currently numbering 450 hotels and inns in 52 countries. The majority of our properties—350 hotels with 85,000 rooms—are located in the United States. Sheratons worldwide currently spend $40 million annually for advertising and promotion of international travel; these expenditures are spent proportionately to promote our hotels in the United States and in other destinations. However, in many countries, Sheraton hotels' efforts to boost tourism have very healthy support from national government expenditures.

The budget for U.S. Government expenditures on tourism development ranked 25th among those of other nations two years ago. Sheraton has hotels in 20 countries which give more financial support to attract tourism than this country.

Foreign travel to the U.S. fell for the first time in 20 years during 1982, after the previous year when foreign visitors to this country spent more than U.S. travelers abroad, reversing the balance of payments for our country. European transient business to our five New York hotels decreased 20 percent in 1982 from the previous year, and group business from Europe was 35 percent lower. At our largest Miami hotel, transient business from Europe decreased 25 percent and in San Francisco, our hotels reported European transients dropped by 35 percent from 1981 to 1982.

The poor showing of inbound tourism in 1982 is partially a reflection of the limitation of promotional efforts by the new USTTA, which can do little more than preserve the status quo with its inadequate budget.

We believe that U.S. travel and tourism deserves government assistance overseas to supplement our own efforts in the private sector and for the overall benefit of inbound travel and tourism.

Our industry became the second largest retail industry in the U.S. in 1981; business receipts generated more than 4.6 million jobs and, during that year, accounted for 18 percent of all new jobs created. In the lodging sector alone was provided 1.1 million U.S. jobs in 1981.

If inbound tourism were to expand as formerly predicted with USTTA support, Sheraton projects an increase to 1.36 million full- and part-time employees in the next five years and a demand for more than 700 new key management positions. Our affirmative action program continues to recruit minorities and the disabled for these middle management positions and the thousands of other new positions we anticipate.

The hospitality industry provides more jobs for more untrained workers, for more minorities, and for more disabled than any other industry.

We urge your support of a realistic budget for the U.S. Travel and Tourism Administration for the next three years. Their objective is to sell the greatest product—the U.S. as a destination for inbound travel—but they are limited by a comparatively small budget for marketing that product in the highly competitive world market.

I urge support of Senator Larry Pressler's Legislation S. 212 to re-authorize the U.S. Travel and Tourism Administration for three years at $13 million, $14 million and $15 million budget.

Senator PRESSLER. OK, Bill?

Mr. WALTON. Thank you, Mr. Chairman. I will be brief. There are those in this room that do not believe that, but really, I will do my very best.

For the record, I am William B. Walton, the cofounder and retired president and vice chairman of the Board of the Holiday Inn Corp. I was president during the great growth years of that corporation, and so I go from a zero-minus to the largest corporation of its type in the world. So I am well aware of what can happen when the free enterprise system is allowed to work and not deterred by some faceless individual sitting in the back room of the OMB, or wherever that person happens to be—and, by the way, he is there because I have dealt with him for 4 years—I mean, four administrations.

And to pass a bill through all of the ramifications that is required and the countless thousands of hours that we have worked, 10 years, I do not know how many bills we have passed that the Congress has finally enacted and sent to the White House to only have it die in the back room of the OMB. I have been personally involved in one of them during President Ford's administration, when he vetoed the bill that we had worked on for 3 years based on the fact that it was told to him that we used 85 percent of the gasoline in America in the travel and tourism industry, which was a totally inaccurate statement.

And I called it to his attention, and the President said if we bring the bill back to him he would resign it, which he did. We had to take it back to the Congress, all the way back through, and get it done again, but he did sign it. Then we started out to work again and so on.

But at any rate, I do want to point out that even though I am retired from Holiday Inn and the job that I did in public affairs is so very ably being handled by Dick Ashman, whom, I might say

and right on the record, that I am very proud of. That is one nice thing about getting old, when you have been associated with some young men that come along and do the job better than you did.

But I am still active in the industry. I am currently the senior advisory consultant to the Brock Hotel Corp., and I am still keeping my hand in the activities. I was the first chairman of the advisory council to this committee. I am now the vice chairman and I am the vice chairman of the board of the advisory board to the new U.S. Tourism and Travel Industry.

And if I am proud of two things in my life and my career, one is in being involved with Holiday Inns as one of its founders, and being involved as one of the authors of the travel and tourism bill. I am concerned this morning because it looks to me like there is a possibility that it might go down the drain, because I do not think there is a person in this room that would deny the fact that a $5 million budget is just ridiculous to even talk about.

The best thing that has been said here today, and I am so glad to see us begin to look at this budget, so-called, it is an investment, a business investment just as surely as any corporation—and I have been a corporate officer for 30 years—the thing we look for is return on investment, return on our revenues.

What do we get back for the money we spend? And the figures here being used by Mr. Ashman and Mr. Toohey and Bud James here, I just want to emphasize you get back $19 for every dollar that the Government spends.

I want to say something else about one other thing. They keep talking about who is doing whose job. Well, I believe that I can say that for most of the corporate officers in this country we do not want the Government in our board rooms any more so than it is already there. The airlines will sell their seats. The hotels will sell their rooms. And they will sell the locations and all that.

They will do their job. As Bud James has pointed out, they spend $40 million. I do not know what Holiday Inn spends today, but I will bet it is way up right along there with Sheraton and I am sure Hilton is and all the rest of them, and the same thing for the airlines.

Now there is a certain job that was contemplated by this public law that the private sector cannot do, and the record ought to be made clear. That is, the whole intent of that law was to make a joint venture, a partnership between Government and the private sector. The Government had certain jobs to do and the private sector had certain jobs to do.

We cannot in the private sector do the Government's job. We cannot do anything about visas. We cannot do anything about Customs. We can do the things that we do to convince the people to travel to Bermuda or to travel to Miami or to travel to the mountains of the West, but the Government has got to convince people in Europe. And they are not so anxious as everybody thinks they are.

They read all about the murders and the rape on the streets of America. They read all that stuff in Europe. And Government has got to convince people that it is a cordial and friendly Government that welcomes them to this country, that they can come to this country and not be hassled. And it is just as simple as that.

Now, then, we have our job to do in the private sector, and I am sure it will do it. That is what the whole law was all about and it took 10 years to get it done. You have got a bill that you are trying to get 50 co-sponsors. We did that on Senate Resolution 347, to authorize the study in the first place, and we got 87 Senators to come along as cosponsors.

That is what boggles my mind, Mr. Chairman. Eighty-seven Senators of this country can be a cosponsor of a bill, and then one individual can sit in the back room of OMB and be more intelligent and have a better feeling for what should be done for the best interests of this country than 87 Senators and whatever the vote was in the Congress.

So your request to get that individual before this committee and question him and find out what it is that he knows about the travel and tourism industry that those of us that have been involved in it for 27 and 30 years and were directly involved with it for ten years, have not been able to find out.

I would applaud the Chairman for that particular request going out. The figures and things, I would just support what my colleagues have already testified to. The figures are so available and I would confirm them from my point of view.

In my written statement which, by the way, Mr. Chairman, I included Senate Resolution 281, to recognize this industry in the first place in 1974, including Senate Resolution 347. I also included the law that was passed, which is now the tourism bill, and I think I would recommend that everybody go back and read it. It is kind of like the Bible; we need to go back and read it regularly to see what it says and find out where we have gone astray.

That would pretty well cover the things that I would have to say to this committee and thank you for the opportunity. I would like to have my statement included in the record.

[The statement follows:]

STATEMENT OF WILLIAM B. WALTON, COFOUNDER AND VICE CHAIRMAN, EMERITUS, HOLIDAY INNS, INC., AND SENIOR CONSULTANT, BROCK HOTEL CORP.

Mr. Chairman and members of the committee, I am Willimam B. Walton, cofounder, retired President and Vice Chairman of the Board Emeritus of Holiday Inns, Incorporated. I am the immediate past Chairman and the present Vice Chairman of the Travel and Tourism Industry Advisory Council to this Committee, and I am the Vice Chairman of the Advisory Board to the newly organized United States Travel and Tourism Administration. I have been for the past twenty-seven years directly involved in the top management of the world's largest lodging company, Holiday Inns, Inc., until my leave of absence in 1980. Presently, I am the Senior Consultant to the Brock Hotel Corporation and President of my own consulting company to hotel company management.

I must confess at the outset of this testimony that I have grave concern for the future well-being for the economy of our country. I have equal concern and fear that the ten years of hard dedicated effort of organizing, uniting and developing legislation that wold recongize our country's second largest retail industry and would prepare it to compete in the world travel market place—the passage of the National Tourism Policy Act and the creation of the United States Travel and Tourism Administration—may be on the verge of going down the bureaucratic drain!

Nearly ten years ago, during my administration as President of Holiday Inns, Inc., the Arabs inflicted their oil embargon on the world and threatened the very life of the industrial well-being of our nation and the travel and tourism industry. At the direction of the Board of Directors of my company, I was elevated to Vice Chairman of the Board of Holiday Inns and was directed to travel to Washington. I

was to investigate why the government agency responsible for the allocation of oil had classified the Travel and Tourism Industry as non essential.

I found a totally fragmented, disorganized industry and a government that didn't even realize the travel and tourism industry was the second largest retail industry in the United States.

My own personal investigation led me to the profound realization of what I chose to call America's best kept secret.

Many of you on this Committee, and many of the men and women attending this hearing today will have vivid memories of those days. We went to work to do something about that situation, recognizing that even then the tourism industry produced a gross volume of 72 billion dollars per year, employed 4 million Americans with a payroll of 19 billion dollars, and, in almost all of the fifty states, was one of the top sources of revenue and employment.

One of the first things accomplished was a resolution introduced in the Senate by Senator Daniel Inouye (Senate Resolution S 281) to recognize the Travel and Tourism Industry so that never again would any government agency or government employee classify the Industry as "non-essential".

Next, Senate Resolution S 347 was sponsored by this Committee and endorsed or co-sponsored by 87 Senators, provising the necessary implementation regulations and funds to make a total, complete, in-depth study of the Industry for determining exactly where it should be placed in the country's economic machinery—especially, as it produced jobs, income, and tax revenue toward the economic and social well-being of this country. The Resolution was unanimously adopted, and we set about to complete the study.

I shall not here further burden this hearing or this record with further detailed resumés of the work of the Congress, the Senate, Industry, leaders, trade associations, the media, the press—all cooperating in what I believe to be one of the most thorough, in-depth studies of an American industry in the history of our country, and a forerunner to recommended legislation.

It took nearly ten years of dedicated labor to research, recommend and support the legislation that finally passed the Senate and the House and was signed into law by President Reagan in October, 1981. It established for the first time in the more than 200-year history of our country both a formal "National TOURISM Policy" and the United States Travel and Tourism Administration. Thus, the machinery has been set into place that would allow our country to better compete in the world's travel market and to recoup some of the billions of dollars spent outside our borders back into the United States—monies which would develop new jobs, corporate and personal income, and federal, state and local tax revenues.

Mr. Chairman, I respectively recommend that each individual agency, committee, or otherwise who finds itself involved in administering the affairs of the country's travel and tourism industry or, more specifically, the newly formed United States Travel and Tourism Administration should take home a copy of the "National Tourism Policy Act", should read it and should carefully study the total Act, its purposes, its directions, and its mandates. I shall not burden this hearing or this record with the recitation of the entire Act, but I would like to specifically refer to Sub-Section B of Section 101 of Title 1 of the Act, which reads as follows:

"This Act is to establish a cooperative effort between the Federal Government and State and Local Government and other concerned public and private organization, to use all of the practical means and measures, including financial and technical assistance to implement a National Tourism Policy."

Each member of the cooperative effort has its specific responsibilities. The Government must market and sell the United States as a cordial, friendly attractive and interesting tourist and business destination; as a country that will welcome the traveler and care for his or her needs; and as a country that will make it convenient and uhhassled to enter, travel about and leave.

The states must do the same thing on a location by location level.

The private sector must add its marketing and sales efforts on how and with what companies the tourist will travel; on what lodging and food facilities he will use; and on what entertainment activities are available in the area. The travel agent adds his services to bring all these activities together.

Not one of the members of this team effort can effectively or efficiently do the job of the other.

While I realize that it is repetitious to the testimony already given by my colleagues Richard Ashman, bill Toohey, and Howard (Bud) James, I would like to repeat certain points of their statements for emphasis. I believe them to be important to the consideration of the budget for operating the Travel and Tourism Administration, and I would ask you to further indulge my testimony and this record.

With this country staggering under the burden of a recession—with unemployment records beyond anything most Americans have known beyond the Great Depresssion and with America's great automobile, steel, and housing industries suffering as they are—there is one bright spot in the economy of this country. Tourist employment growth stands at 16 percent of all new jobs and, while not as acutely as in the past several years, the Tourism Industry generally continues to grow, as pointed out in Mr. Ashman's statement.

According to recent statistics from the United States Travel and Tourism Administration, the Industry accounts for 191 billion dollars in domestic and foreign spending, which is 6 percent of the gross national product of this country. The Industry directly employs 4.6 million Americans at every level of skill and another 3.2 million workers indirectly, for a total of nearly 7 million Americans in the labor force. The Industry generated over 40 billion dollars a year in wages and salaries, and more than 18 billion dollars a year in federal, state and local tax revenues. Here, Mr. Chairman, I would like to repeat that figure: the Industry generates more than 18 billion dollars a year in federal, state, and local tax revenues.

The Industry is a highly diversified industry with one million component companies, ranging from small travel agencies to large airlines and the hotel chains, 99 percent of which are classified as small businesses, the very backbone of the economy of our country. Furthermore, those employed by the Industry cut across all races, sexes, colors, skills (the highly skilled and the non-skilled)—it is probably the most diversified employment work force in this country.

Mr. Chairman, I completely agree and concur that the government's appetite for spending money must be curbed—I am completely in support of President Reagan's efforts to curb spending. But, it is my belief and understanding that his efforts are directed toward cutting out waste and unnecessary spending programs that are not contributing directly to the economy and essential social wellbeing of this country

President Reagan, I believe, is to smart a businessman to destroy a business venture of this country that in past years has returned 19 dollars of revenue for every federal dollar spent, as pointed out by Mr. Toohey.

The government's attitude—not just this Administration's—boggles my mind as a business man. I have found it as difficult to understand its position presently as I have in the past. Travel and Tourism is one money-making industry that is not asking the government to bail it out, and some government sources would seriously impair that industry's effort to continue its growth, its production of income, tax revenue, and new jobs.

Herman Kahn, Director of the Hudson Institute, in his book "The Next Two Hundred Years," projects that, in his opinion, tourism will become one of, if not the largest industry in the world by the year 2000 and that it will continue to grow by ten to twenty percent per year. His book was introduced to the American market during our bicentennial in 1976, and a quick review of the growth of the industry since 1976 clearly supports the wisdom and accuracy of Herman Kahn's prediction. I concur with Mr. Kahn, and I fully believe that by the year 2000, the travel and tourism will be the world's largest industry. It will be an unforgivable shame on the record of our business and government leaders if our country doesn't take full advantage of this situation.

As a matter of fact, when I had ferreted out the travel and tourism industry facts and cleared away, to my own satisfaction, the cloud of ignorance surrounding the Industry, it became completely clear to me that the best interest of our country could be served by a Secretary of Tourism Presidential Cabinet level. We currently read and hear continual references on what is happening to the United States leadership in manfuacturing and other all-time basic industries—for example, General Motors' contract with Toyota of Japan to manufacture their small automobile. I am more concerned than ever that such a new Cabinet position must happen—and it will—the Travel and Tourism Industry is too important to the economic and social well-being of our country, and it will place our country in a position as a world leader in this great industry.

Here again, this testimony is for another time, but it relates my attitude toward the Administration's ill advised budget recommendations. I repeat for clarity and inference the following:

1981 TRAVEL AND TOURISM INDUSTRY HIGHLIGHTS

Travel in the United States: is the second largest retail industry in the U.S., following only food stores; is one of the top three employers in 35 states; accounts for $191 billion in domestic and foreign visitor spending, some 6 percent of the gross national product; generates employment, accounting for 18 percent of all new jobs

in the U.S. in 1981;[1] directly employs 4.6 million Americans at every level of skill and another 2.3 million workers indirectly; generates over $40 billion a year in wages and salaries and more than $18 billion a year in federal, state, and local tax income; is a highly diversified industry with one million component companies ranging from small travel agencies to large airlines and hotel chains, with 99 percent of these companies classified as small business.

International travel to the United States in 1981: accounted for total international arrivals of 23.1 million and receipts of $14.6 billion, both record levels; surpassed American travel abroad for the first time; (excluding international transportation payments) produced a travel account balance which was in surplus for the first time; resulted in federal, state, and local tax revenues of $1.1 billion;[2] directly generated over 320,000 U.S. jobs, and indirectly another 395,000 jobs.

By the way, Mr. chairman, I support and believe in another program which, as enclosed, I have chosen to call "World Understanding Through Tourism—One Road to Peace", but that is testimony for another time.

We simply cannot afford to let the short-sighted administration budget proposal destroy the United States Travel and Tourism Administration, with its potential cash flow in income, corporate and personal tax revenues, and jobs. This it will surely do if the proposed 5 million dollar budget becomes a reality.

I respectively submit Senate S. 212 for consideration as a capital investment in an income, tax revenue and job producing business venture—just as surely as a corporation would develop a corporate plan and look at its capital investment, its return on investments, its return on revenue, and its general financial well-being. By the way, in this instance, God has made the greatest capital investment, providing this country with the wonderful tourist attractions and natural beauties of, for example, the Grand Canyon, Niagara Falls, Mount Rushmore—making this country one of the world's most sought-after tourist destinations.

As I recall, in 1976, American citizens traveling abroad were spending approximately 14 billion dollars, and foreign travelers to the United States were spending 4.9 billion dollars. The obvious imbalance of payment is so typical of what I consider one of the major economic problems of this country. During the ensuing year, however, except last year, this imbalance of international travel balanced.

Based upon the United States' Travel Service Performance Measure Studies in 1976 and 1977, and assuming the increase is all spent on direct promotional activity, this Senate Bill S. 212 being supported today could be expected to generate 50 million dollars in additional foreign visitors' spending in the United States during the year. Assuming economic relationships evident in 1981 still hold true, this 50 million dollars could be expected to generate 10 million dollars in additional wage and salary income, and 1300 new United States jobs. The 50 million dollar additional visitor spending could also be expected to generate 3 million dollars in federal tax revenues and 2 million dollars in state tax revenue. Now, Mr. Chairman, it should be noted that I said "foreign visitor spending"—these are dollars coming back to us from foreign lands where our dollars have been spent.

Once again, Mr. Chairman, I respectively submit that the proposed Senate Bill S. 212 is the government's investment in the partnership between it an the private sector. This partnership is the intention of the legislation which created the United States Travel and Tourism Administration in order that the United States could favorably and effectively compete in the world travel market.

I fully support and recommend this Committee's favorable action upon the recommended Senate Bill S. 212 to allow the Travel and Tourism Administration the necessary budget to carry out those duties and responsibilities conferred upon it by Law.

I certainly appreciate your attention and your indulgence to this testimony this day and trust that this day will mark a turn-around and a giant step forward toward business, industry and economic leadership throughout the world. The only fear that we really have to be concerned about is our negative attitude.

Senator PRESSLER. Thank you. What you say is so true and you are such an eloquent spokesman in this area.

Mr. Richard Kelly, president, Town House Best Western Motel, Sioux Falls, S. Dak.

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[1] In 1980, the travel industry contributed 35 percent of the new jobs created.

[2] $650 million of the $1.1 billion was federal tax revenues.

Source: United States Travel and Tourism Administration, 1983.

Mr. KELLY. Thank you, Mr. Chairman. I do not believe I am an industry leader, as many of the others in this group, but, more likely, a representative of the industry, with a small property in the Midwest typical of the motels throughout this country.

Senator PRESSLER. Would you pull the microphone a little closer to you there?

Mr. KELLY. We deal quite a bit with the Canadian visitors through bus tours and just people traveling through and with international visitors to the Eros Data Center, with which you are so familiar, Mr. Chairman.

The purpose of this comment is to show that the international tourism market does affect the heartland of this country, as well as the major cities on the coast and a small motel operator also feels the effects of the travel and expenditures of these people.

I think it is a shame that the greatest country on Earth, the country with ties to every other country through its citizens, through its culture, the physical features and manmade attractions we have, will not spend a significant amount of money to market itself to the rest of the world.

We cannot become complacent. These people will not just automatically come to the United States and we must continue funding at the levels you have suggested.

As a representative of the industry, I wholeheartedly support your bill.

[The statement follows:]

STATEMENT OF RICHARD KELLY

My name is Dick Kelly. I am owner and operator of a 78 unit Best Western Motel in downtown Sioux Falls, S.D. I am also a member of the Travel and Tourism Industry Advisory Council.

The continued funding of the U.S. Travel and Tourism Administration at a level of 10–15 million dollars is essential to the hosptiality industry of the United States, Foreign tourist dollars create jobs in a sector that is able to provide employment to many unskilled workers, something few industries are able to do today. They affect airlines, taxicabs, gas stations, restaurants, and attractions with their expenditures. In short, their dollars are spent in areas that are very employee oriented, industries that are very difficult to mechanize. People clean rooms, people fly airplanes, people clear tables and wash dishes.

Our large corporations spent several millions of dollars each year promoting foreign travel, but naturally their dollars are directed at very specific markets. I think the additional dollars of the USTTA give credibility to the corporate efforts and are able to promote areas such as Mt. Rushmore or Yellowstone National Park which will bring foreign visitors into the heartland of our great country. People will often place trust in advertising done by a government more than advertising done by the private sector. The combination of the two sources provides an excellent marketing package to the world.

It is a shame that the greatest country on earth, a country with ties to every other country through its citizens, a country with its variety of cultures, physical features and man made attractions will not spend a significant amount of money to market itself to the rest of the world. We cannot become (or continue to be) complacent and simply assume the world will beat a path to our doorstep. We must encourage these people to visit this great land. This will provide jobs, help the balance of payments and most importantly provide communication between peoples of different nations, something we must have if we are working to reach a permanent peace in the world.

Mr. WALTON. Mr. Chairman, one short statement. Much has been said today about jobs. Since there is another committee around this capital today talking about jobs, we are talking about

jobs with dignity and I think that additional word added to that is most important.

Senator PRESSLER. I am going to ask many of these questions on the record. I might ask Dick Kelly, we all know that the travel and tourism industry is primarily composed of small businesses. This is certainly true in our State of South Dakota. Do you think it is reasonable for the Federal Government to expect small businesses to help pay for the national tourism promotion program? This has been suggested on occasion.

Also, if you have any comments about the size of the typical tourism operation in South Dakota, or, if you want to submit it for the record, that would be something good to have. They are principally small businesses in South Dakota, is that not correct?

Mr. KELLY. We are an average motel. In Best Western, which has 1,700 or 1,800 or more properties throughout the United States, the average motel is about 80 units, which is what we are. That is why I believe we are typical of the business.

As far as supporting the funding mechanism, I think we have discussed it in the committee, where it is most difficult to come on any method of doing it. We obviously are funding through employing people who pay taxes, and I think it is very little to ask when you are talking an 18-to-1 return on investment to have some Federal expenditures to promote the program.

Senator PRESSLER. I have some additional questions for each of you, but I am going to do those on the record. We thank you very much for being here.

[The information referred to follows:]

We will call on Panel 3—Mr. Joseph Lapensky, president, Northwest Airlines, Minneapolis-St. Paul International Airport, and Jim Montgomery, chairman of Pan American World Services.

Jim, we appreciate your continued leadership and your tireless work in this area and we look forward to hearing from you today. We thank you for being here. You are a soldier, always there.

STATEMENT OF JAMES MONTGOMERY, CHAIRMAN, PAN AMERICAN WORLD SERVICES

Mr. MONTGOMERY. Thank you, Mr. Chairman. I will submit my written testimony for the record, if you approve, and I presume the staff can add it to the several-inches deep previous testimony which I reviewed over last weekend.

Mr. Chairman, my name is James Montgomery. I am chairman and chief executive officer of Pan Am World Services, a wholly owned subsidiary of Pan American World Airways. I am also chairman of the Travel and Tourism Advisory Board called for by the United States Tourism Policy Act, appointed by the President to report to the Secretary of Commerce, drawn from leaders of hotels, bus companies, airlines, travel and banking, labor, State and city tourist offices, advertising, accounting and the universities.

Mr. Chairman, that board at all three of its meetings to date has called for adequate funding of the U.S. Travel and Tourism Administration and for a 3-year appropriation authorization for that effort. As a matter of fact, in our annual report to the Secretary of Commerce on fiscal year 1982, the board expressed its, and I quote,

"profound regret that the U.S. Government and Congress have not as yet insisted on adequate funding for the program which the Tourism Policy Act has enacted."

Mr. Chairman, as a matter of fact, at our last meeting, which was 10 days ago, we presented the same request to the U.S. Travel and Tourism Administration as you did this morning. In other words, we, as commanded to do by the act, were so interested in the marketing program for 1984 that we wanted to have a look at what it would be if they were working under a $13 million budget.

As a matter of fact, we set a followup meeting for tomorrow, after your hearings today, to be able to look at that suggestion from the USTTA, but we were told just a few days ago, as you were this morning, that that could not be done. We have not got a final answer. We were told that something would be circulated to us and that then we could plan to have a meeting for further examination of it.

Mr. Chairman, I think the rest of my testimony speaks for itself, and I am here to answer any questions which you have.

Senator PRESSLER. Jim, I thank you for being here. You pointed out that you are chairman of the Presidentially appointed Tourism and Travel Advisory Board of the Commerce Department. You also mentioned that this board has on several occasions called for adequate funding for USTTA. Why is it, do you feel, that this word is not reaching the Secretary of Commerce? Has the Secretary ever expressed any interest in the board or shown any sign that he is listening to the advice you are offering?

Or, to put it another way, when industry leaders talk to the Secretary of Commerce and to administration officials are you as firm in what you say as you are here? Is there some point where the communication is breaking down?

Mr. MONTGOMERY. The channel of communications which has been set for us, Mr. Chairman, is to pass resolutions which I as chairman then forward to the Secretary of Commerce. I have had acknowledgments from him. The last one, I must admit, was more perceptive than previous ones, and his promise in his letter that he would forward our resolutions to the Travel and Tourism Policy Council.

But, no, sir. The Secretary attended our first meeting for a few brief moments to welcome us to Washington and has not attended since.

Senator PRESSLER. I wonder if staff could prepare a letter for me over to the Secretary, and I will call him. I think this is a group he should sit down with. I always try to visit with my advisory group here and I will be visiting with them later today, but I think it is very important that the Secretary do the same with his advisers. You know, on some of these boards I think there needs to be a personal contact with a Cabinet officer, and I shall follow up on that and see if we can get that going.

We have other questions for you and, of course, we appreciate your continued efforts in this area. Due to the time span I am going to submit those in writing. If staff can supply those we will make the record complete.

Mr. Montgomery, thank you very much.

Mr. MONTGOMERY. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF JAMES MONTGOMERY, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, PAN AM WORLD SERVICES, INC.

Mr. Chairman, Distinguished Committee Members and Staff, my name is James Montgomery. Having been head of Pan American World Airways' sales and marketing departments for eighteen years and having been assigned for seven years by that company overseas in the active pursuit of tourism to the United States, I am now Chairman and Chief Executive Officer of its management and technical services subsidiary, Pan Am World Services, Inc. My company operates in Europe, Africa, the Middle East, Asia and South America and is increasingly active in the tourism affairs of some of the countries we serve.

Pan Am itself has the longest experience of any airline in the explosive development of tourism since World War II. I speak here today on behalf of Pan Am and, I believe, the entire international airline industry. I am also Chairman of the Travel and Tourism Advisory Board, called for by the U.S. Tourism Policy Act, appointed by the President, reporting to the Secretary of Commerce and drawn from leaders of hotels, bus companies, airlines, travel and banking, labor, state and city tourist offices, advertising, accounting and universities. That Board at all three of its meetings to date has called for adequate funding of the U.S. Travel and Tourism Administration and for three-year appropriation authorizations for its expenditures. In its annual report to the Secretary of Commerce on FY 1982, this Board expressed its "profound regret that the United States Government and Congress have not, as yet, insisted on adequate funding for the program which the Tourism Policy Act has enacted."

Mr. Chairman, before proceeding further, I would like to try to express that Board's and our own deep appreciation for the leadership you have taken in this issue of more adequate funding for the United States tourism effort and in so many other issues of importance to the travel industry—now among the most important industries in this country and bidding fair to become its largest. Your understanding of its problems and your unfailing efforts to gain support for it have won the industry's deep gratitude.

With great and, I believe, unanimous enthusiasm, we support your call in S. 212 for bare minimum funding of the United States Travel and Tourism Administration in FY 1984, 5 and 6. Such funding would be a wise business investment, for in our experienced judgment the resumption of aggressive, competitive advertising and sales promotion by the United States would lead to increased tourism and consequent increases in Federal, State and local taxes which would far exceed the funding we are recommending here today.

Great emphasis today is rightly being placed on the creation of jobs. The Department of Defense has recently stated that each billion dollars it expends creates 50 to 60,000 jobs. Defense jobs require on the average a high degree of technological skill. Travel salaries average far less and travel creates entry-level jobs with large proportions of women, minorities and youth.

After almost a decade of exhaustive study, led by the United States Senate and participated in valuably by the House, the United States Tourism Policy Act was finally adopted and signed by the President. It put tourism in its correct national standing, and I have heard it praised by many tourism leaders in other countries. You and your colleagues are to be congratulated for refusing to allow bureaucratic lack of understanding and vision to vitiate that historic achievement.

Some have said that the Government does not know how to advertise commercially and therefore should not try. It should take only one look at the brilliant and successful advertising programs the Government conducts to recruit for the Army, Navy, Marines and Air Force to dispel that false opinion.

Does not the Department of Agriculture, serving an equivalently-sized industry, have 112 overseas offices? Does not almost every U.S. Embassy have a Commercial Attaché to aid American exports (but unfortuntely not trained in developing tourism)? Does not the U.S. International Communications Agency have 7,800 employees to influence worldwide opinion in our favor (when one visit should make an understanding friend for life)?

No more patience can be allowed towards the accusation that the travel industry is herein seeking a handout from the Federal Government. Mr. Chairman, Pan Am last year spent $23 million overseas in advertising and sales promotion alone to attract traffic to the United States. We will continue to do so in increasing amounts. But we cannot be expected, nor do we have the capability to do the basic job of promoting the United States against the competitive efforts of other governments. Very

largely, our advertising funds must be spent to protect the U.S.-flag share of international air travel.

Secretary of State Shultz, speaking in Atlanta on February 24, wisely pointed out that the total cost of all our overseas security and economic assistance programs amounts to only $43.91 per American citizen. If we consider the investment for tourism promotion we are recommending today in the same light, then the cost per American citizen is only four cents a year.

Tourism must be considered in a more cosmic sense than just the attraction of pleasure-seeking, money-spending tourists to our shopes. Only through personal visits can true understanding of the nature and philosophy of a nation be gained. No other program can be truly and permanently effective—and this program is essentially self-financing through increased tax receipts.

Pan Am's founder, Juan Trippe, in 1958 saw a vision of a race between the jet airliner and the jet bomber. That race is still on today. We have only added the Cruise Missile and the MX to the jet bomber.

Mr. Chairman, in this context S. 212 is very modest and wholly supportable.

Thank you.

Senator PRESSLER. We have now panel 4, which is Kay Riordan, president, Mountain Co., Keystone, S. Dak.; Mr. William David Killebrew, president and general manager, Heavenly Valley Ski Resort, South Lake Tahoe, Calif.; and Mr. W. Randolph Baker, president, Busch Entertainment Corp., St. Louis, Mo.

We will start with Kay Riordan who is one of the leading citizens of the State of South Dakota. We are very honored to have you before us.

STATEMENTS OF KAY RIORDAN, PRESIDENT, MOUNTAIN CO.; WILLIAM DAVID KILLEBREW, PRESIDENT AND GENERAL MANAGER, HEAVENLY VALLEY SKI RESORT; AND W. RANDOLPH BAKER, PRESIDENT, BUSCH ENTERTAINMENT CORP.

Ms. RIORDAN. Thank you, Mr. Chairman. I just want to add a slight impetus to what has been said by some of these great leaders of our industry.

I think that we should make a little book on what the great economists are saying today, that this country of ours is going through an industrial revolution. Of course, in this century we have also had an industrial revolution in the 1920's and 1930's. At that time, all of the farm people went to manufacturing positions, but today I think our industry is the one avenue that can help this present industrial revolution.

As Professor Leontief of New York University, who is a Nobel Peace Prize winner for economics in 1973, says: "More and more workers will be replaced by machines. I do not see that the new industries can employ everybody who wants a job." He goes on to say: "Think what would happen if all the unemployed steel and auto workers were retrained to operate computers—there aren't enough computers to go around. We could create a worse problem."

And I think we heard that a lot from this present administration and from our great President. I think this is where we might put a foot in the door.

I also just want to tell you that just within the past week Secretary of Commerce Malcolm Baldrige was speaking on CBS saying that one out of every seven jobs in the United States of America depends on exports. And the statistics have been given here this morning that the international travel service is ranking as our third largest export industry, following only grains and chemicals.

So I, too, say, as everyone else has said, as a National Park Commissioner over the past 32 years I have watched what tourism has done for our State, and you, as our great Senator, do know we have gone from 700,000 visitors to 2 million-plus, and it has made a great difference in the economy of South Dakota, as you well know, and there is not any question but what international tourism would make a great deal of difference in this country.

I certainly concur with Bill Walton and all the rest that this is the best investment that this country could make, S. 212.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF KAY RIORDAN, PRESIDENT, MOUNTAIN CO., INC.

It is generally conceded by all of today's great economists, as well as the present administration, and I am sure, by you Members of the U.S. Travel and Tourism Administration, that our great country is experiencing an "industrial revolution". Unlike the industrial "changeover" of the earlier years of this century, where farm workers moved to manufacturing jobs, this one has no clear cut direction. Professor Wassily Leontief of the New York University economics staff (Nobel Prize winner for Economics in 1973) says: "More and more workers will be replaced by machines. I do not see that the new industries can employ everybody who wants a job." He goes on to say, "Think what would happen if all of the unemployed steel and auto workers were retrained to operate computers—there aren't enough computers to go around. We could create a worse problem."

I sincerely feel that there is a solution to the dilemma facing our Nation today, and through the efforts and imagination of this administration, expecially in the field of world tourism and travel, much can be accomplished, but not without proper funding.

The 98th Congress must be convinced—the American public must be convinced—and this administration must be made cognizant of the fact that of the twenty-one leading countries in world tourism today—we rank 21st in receipts of per capita spending—15th in promotion spending, and that the U.S. market share of total world international travel receipts is only 11.5 percent.

As a national park concessioner these past thirty-two years, I would say that the reason our industry has not kept up with the rest of the world is due to lack of "management" and "marketing" which are directly lacking because world tourism has never been considered the viable industry that it is, and, therefore, Congress fails to fund the management and marketing necessary to meet world competition.

Theodore Levitt wrote an article as far back as 1960 called "Marketing Myopia," which clearly and brillantly washed away all the camouflage used for years, perhaps decades, to hide the major reasons behind the demise of some of our leading industries, and I am sure that world tourism in the United States would qualify, "Short-sighted managements often fail to recognize that, in fact, there is no such thing as a growth industry". "Every major industry industry was once a growth industry, but some that are now riding a wave of growth enthusiasm are very much in the shadow of decline. Others which are thought of as seasoned growth industries actually stopped growing. In every case, the reason growth is threatened, slowed or stopped is not because the market is saturated, it is because there has been a failure of management. Who would have agreed in 1960, that within the next 25 years the auto industry would be in trouble? Or the electric utility companies? The railroads did not stop growing because the need for passenger and freight transportation declined. That grew. The railroads are in trouble not because the need was filled by cars, trucks, or airplanes, but because the need was not filled by the railroads themselves. They let others take their customers away from them because they assumed themselves to be in the railroad business rather than in the transportation business. They were product oriented when they should have been customer oriented. The same parallel can be drawn for world travel today—most people, and Members of Congress, consider it to be the hotel business, food business, airline or bus business, instead of the whole picture. Economist, Mr. Cohn, predicts that by the year 2000, travel and tourism will be the world's largest industry, but today tourism is product oriented, not consumer oriented.

Your mission is very clear to me—as members of the Travel and Tourism Administration we must convince this session of Congress that world tourism can serve as the catalyst to aid and accomplish many of the goals of this administration:

(1) Unemployment: The travel industry is the second largest retail or service industry in the United States, generating some 720 million jobs in 1981. Travel receipts make up over 6.5 percent GNP (1981). The travel industry added some 179,000 new jobs in 1981 or 18 percent of the total increase in the U.S. employment, and since 1958, has accounted for 4.2 million new jobs, and 26 percent of all new jobs in the last three years. Is there any question as to what the world travel industry could do for this country's unemployment situation?

(2) Increased revenue: Expenditures in U.S.—$191 billion (International Visitors only) 12.2 billion; Payroll income generated—$40 billion (International Visitors only) 2.5 billion; Employment generated—4.6 million direct (International Visitors only) 209 thousand; 2.2 million direct (International Visitors only) 139 thousand (indirect); Federal tax revenues generated—$9.3 billion (International Visitors only) $650 million; State tax revenues generated—$6.6 billion (International Visitors only) $330 million; Local tax revenue generated—$2.0 billion (International Visitors only) $130 million.

Is there any questions as to what the world travel industry could do for our country's treasury department?

(3) Market share: In terms of market share of international travel receipts, the average developed country received five times more than the U.S., and the average for all countries in almost seven times greater than the U.S. market share on a per capita basis. (1980)

The U.S. ranks 25th world-wide among forty-six reporting countries and 20th among twenty-four developed countries reporting in terms of market share of international travel receipts per capita. The average among forty-six reporting countries worldwide is 0.34 percent market share per one million population and 0.25 percent market share per one million population for twenty-four developed countries reporting compared to a U.S. market share per one million population of 0.05 percent.

It will require a USTTA budget of at least $10 million in 1984 to keep the U.S. market share from dropping below 10 percent.

Secretary of Commerce Malcolm Baldrige, speaking on CBS this past week, said that one of every seven jobs in the U.S.A. depends on exports. In 1980, international travel services ranked as the third largest export industry, following grains and chemicals.

The above fact and figures prove, conclusively, that the passage of Senator Pressler's Senate bill 212 would be the best investment this Government of ours could make . . .

Senator PRESSLER. We appreciate that, coming from you, a leader in the industry and a national leader.

Next I shall call on William Killebrew, president and general manager of Heavenly Valley Ski Resort.

Mr. KILLEBREW. Mr. Chairman, I am William D. Killebrew. I would like to submit my testimony for the record and summarize for brevity.

Senator PRESSLER. Thank you. I appreciate that.

Mr. KILLEBREW. You have heard a lot about large businesses and a little bit about small businesses. I would like to tell you about the impact of the USTTA as a case study, using my business, what it does for jobs, what it does to put people back to work.

Six years ago, Heavenly Valley was not the largest ski area in the United States. Today it is. It is the largest primarily because of the impacts of the foreign visitor. Six years ago we came up with a marketing plan to begin to go after foreign visitors. As a small company, at that time less than $10 million dollars in sales and an advertising budget of under $300,000, it seemed an insurmountable problem.

We discovered the existence of the USTTA. One letter from our marketing department produced absolutely astonishing results. Six years ago they were able to work with us, giving us detailed marketing statistics, to formulate a good international marketing plan that allowed our community to penetrate key foreign markets in

Japan, Canada, Mexico, West Germany and the rest of Western Europe. It worked.

We went from, as a ski area, under $10 million in sales in 6 years to over $30 million in sales. We now spend more than $2 million on advertising. We created the South Lake Tahoe Visitors Bureau. It markets domestically but, more importantly, it markets internationally. Our community provided a tax on itself which this year will provide $3 million for tourism, to advertise, to bring people to our community.

But if it had not been for the USTTA we could never have gone out into the international marketplace to attract foreign visitors because the infrastructure of the travel industry is such that we could never have gotten any direct contact with travel agents, tour wholesalers, ground tranportation companies, put together the rest of the links with the airline industry and the hotel industry to make the entire package work.

The USTTA made all that possible. Think about going to Japan. Do you speak the language? Are you familiar with the culture? How do the people work? How can you attract them to come to America? Without the USTTA, as an individual small business, we had no possibility of doing that, but because it existed 6 years ago and it worked and it was funded properly, it did the job that it was supposed to do.

Today $5 million cannot possibly scratch the surface. $7 million will not do it. $13 million is a good idea, but it is only beginning to do the job if it can receive that funding and if that funding is not cut off by the OMB.

The impacts on small business, in small resort mountain communities where the lumber industry is failing or the mines have been shut down, tourism is the only industry left available. In a community of under 25,000 people, today it is employing almost our entire community and communities like it across the country.

Without the foreign visitor, our Nation's economy suffers badly. Thank you.

[The statement follows:]

STATEMENT OF WILLIAM D. KILLEBREW

Senators, I am William D. Killebrew, President and General Manager of Heavenly Valley, America's largest ski area. I am a Director of the National Ski Areas' Association, the Sierra Ski Areas' Association, the Lake Tahoe Visitors' Bureau, the Lake Tahoe Marketing Council, the Ski Lake Tahoe Marketing Association, and a Committee Member of Ski U.S.A.

As a Council Member of the Commerce Committee's Travel and Tourism Industry Advisory Council, I feel it is important for the Committee to understand the impact of the United States Travel and Tourism Administration on small tourist related businesses and their associated industries, by using my own business as a case study.

Six years ago, Heavenly Valley's Marketing Department recommended that we attempt to develop foreign markets, principally in Japan, Canada, Mexico, The United Kingdom and West Germany. Initially, this did not seem possible or feasible, as we were a small company with less than $10,000,000.00 in sales and a marketing budget of only $300,000.00. However, our Marketing Director had discovered the existence of the United States Travel and Tourism Administration. One letter to the U.S.T.T.A., requesting assistance, produced astonishing results.

Through the U.S.T.T.A., we gained access to detailed foreign market statistics and we jointly developed target market plans. Through their foreign offices, we were placed in direct contact with precisely the correct representatives of the foreign travel industry, such as the executives of major travel agencies and tour wholesal-

ers, and the marketing directors of associated international airline and ground transportation companies. They provided travel for our sales staff and were able to recommend which advertising media would be most effective in each market.

In short, the U.S.T.T.A. made our penetration of key foreign markets possible. Without the U.S.T.T.A. this could not have been accomplished. We would not have been able to allocate the manpower, the time or the finances. We do not possess the expertise within each of the foreign markets to adequately coordinate travel agent shows and services, consumer shows and seminars, or to handle the invitations and r.s.v.p.'s to those events. In addition, we would not independently have been able to handle ad agency and public relation agency referrals and coordinate and conduct travel agent and press familiarization tours without the assistance of the U.S.T.T.A.

Today, foreign markets represent 9 percent of our total volume. Many other ski areas and ski marketing associations have duplicated our effort and also utilize the services of the U.S.T.T.A. Specifically, they include Ski Lake Tahoe, Ski Utah, Ski the Rockies, Colorado Ski Country and Ski U.S.A. Ski U.S.A. represents twenty major resorts in nine states, from Vermont to California, and is exclusively oriented to attract the foreign visitor. Without the existence and aid of the U.S.T.T.A., this organization could not function effectively.

The financial impact of the foreign visitor on small mountain resort communities is being felt more strongly each year. In Lake Tahoe alone, foreign ski visitors will contribute more than $6,000,000.00 to the local economy. Nationally, we estimate that more than $70,000,000.00 will be spent. Skiiing is, of course, only one small segment of the travel industry. These same effects may be multiplied geometrically upon the national travel industry as a whole. The national impacts of foreign tourism upon our economy must not be under-estimated. The United States must compete more actively in the world tourism marketplace. Nations such as Canada, Switzerland, Austria and France, among others, will allocate tens of millions of dollars to operate their foreign tourism offices and will purchase extensive media campaigns.

The present funding level for the U.S.T.T.A. is totally inadequate. It is not possible for the U.S.T.T.A. to undertake the preparation of a long term marketing plan for the future when it does not know what its budget will be in any given year. Therefore, I believe that the U.S.T.T.A. should receive funding increases to a minimum of $13,000,000.00, $14,000,000.00 and $15,000,000.00, respectively, over the next three years, so that it may effectively promote tourism to the United States and aid our domestic economy.

Senator PRESSLER. Thank you. I think that is a remarkable story and I think it is one we want to enter into the annals here.

Mr. Baker, president of Busch Entertainment Corp. We are getting into a tight situation so if you could summarize I would much appreciate it.

Mr. BAKER. Thank you, Senator. I will try to do so.

Busch Entertainment owns and operates two theme parks, one in Florida and one in Virginia, a water park in Florida and two children's parks, one in Pennsylvania, one in Texas. They are part of an industry, theme park industry, whose total attendance is more than 150 million visitors per year.

The industry employs directly more than 130,000 people, and we are a major employer of youth in the summer. We have been hurt by the recession, as have other industries, and we are very sensitive to declines in attendance. Our ability to be able to continue to provide employment of youth at our current levels is contingent on our being able to attract more people.

Tourism is vital to our industry. Foreign tourism is a rapidly growing segment of that. As an example, in our Tampa park foreign tourism is now 10 percent of our business and is rapidly growing. We, along with other theme park operators, work with our State and our local tourism groups to try to attract foreign visitors, but as a single attraction or even as part of a State association, we

are marketing a destination that is far more limited in its appeal than the United States as a whole.

Since our marketing efforts are necessarily limited to promoting our parks and our local areas to persons who are already considering a visit to the United States, we are not able to address the far more important task of trying to market and promote visitation to the United States itself, which has to be the function of the Federal Government.

In our business, like other consumer businesses, we have found that we must aggressively market and promote our product in order to be successful and that these marketing dollars pay off in increased revenues for our business. I find it incredible that the proposed $5.4 million funding for the entire U.S. Travel and Tourism Administration is less than we spend on marketing just one of our parks.

It would seem unlikely that the United States would be adequately promoted as a tourism destination with this low level of funding and the fact that we are losing our market share indicates that it is not. We do wholeheartedly support your increased funding in S. 212.

[The statement follows:]

STATEMENT OF W. RANDOLPH BAKER, PRESIDENT, BUSCH ENTERTAINMENT CORP.

Senator Pressler, I am Randolph Baker, President of Busch Entertainment Corporation, a subsidiary of Anheuser-Busch Companies. I appreciate this opportunity to comment in support of the proposed increased funding for the U.S. Travel and Tourism Administration as detailed in S. 212.

Busch Entertainment Corporation owns and operates two major theme parks (one in Florida, one in Virginia), a themed water park in Florida, and two children's parks (one in Pennsylvania and one in Texas). The combined attendance of these parks last year was in excess of six million visitors.

We are part of the Themed Attractions Industry, whose total attendance is more than 150 million visitors per year. Our industry directly employs more than 130,000 people and is a major provider of summer employment for young adults.

The Theme Park Industry, like many others, has been impacted by the recession. Our profitability is very sensitive to declines in attendance, and we need to attract more visitors in order to continue to contribute to the economy and the employment of youth at our present levels.

Tourism is vital to our industry, and foreign tourism is a rapidly-growing market for theme parks. As an example, foreign visitors has been the most rapidly growing segment of our Tampa park's business, and now accounts for more than 10% of our attendance. I'm sure that othr theme parks have enjoyed a similar experience. Major theme parks are primarily a United States phenomenon, and we represent a new experience for the foreign visitor.

Busch Entertainment, as well as other theme park operators, works with our state and local tourism groups to try to attract foreign visitation to our areas. We have found that international tourism is a highly competitive market—as well as a lucrative one. As a single attraction . . . or even as part of a state association, we are marketing a destination far more limited in its appeal than the United States as a whole. As you are well aware, the United States is an outstanding vacation destination with a vast variety of attractions and experiences for the foreign visitor. It is this multitude of experiences, rather than a single attraction, that is the reason foreigners decide to visit the United States. Our marketing efforts are necessarily limited to promoting our parks and our local areas to persons already considering a visit to the United States. We are not able to address the far more important effort of promoting visitation to the United States itself. Only the federal government is in a position to fully promote the United States as a travel destination. The promotional efforts of individual attractions and state associations are complementary to the promotional efforts of the United States, but cannot replace those efforts.

In our business, like most other consumer businesses, we have found that we must aggressively market and promote our product in order to be successful; and that

these marketing dollars pay off in increased revenues for our business. It is not surprising that the Department of Commerce estimates that for every dollar that the United States spends to develop international tourism to this country, there is a $19 return in revenues and taxes. What is surprising is that the United States spends so little in the highly competitive international tourist market.

As an example, it is incredible that the proposed $5.4 million funding for the entire U.S. Travel and Tourism Administration is less than we spend on marketing just one of our parks. It would seem most unlikely that the United States could be adequately promoted as a tourist destination with this low level of funding. I understand that every major free world industrial country outspends the United States dramatically in promoting international tourism. Although the United States is the most attractive travel destination in the world, we are losing our market share of international tourism due to our lack of competitiveness in marketing.

The increased funding level for the U.S. Travel and Tourism Administration should prove to be a means for reducing the federal deficit through helping stimulate the economy, increased tax revenues, and providing jobs for more Americans.

Senator PRESSLER. Thank you very much.

Kay, I am certain that international tourism, especially from Canada, is a big part of your business. Do you feel that attractions such as Mount Rushmore are more vulnerable to the loss of foreign business which would be precipitated by the sharp budget cutbacks proposed by the USTTA? It seems that the larger gateway cities on the coasts have more non-Government promotion clout than do some destinations in the interior of the country.

I must give the State of South Dakota great credit, however. The Governor and the tourism office are doing a good job of domestic travel promotion. But I think the gateway cities have an advantage, over some of our inland destinations.

Ms. RIORDAN. Simply because they do not know how to get to these inland places. Mr. McCoy spoke about New Zealand and Australia. I understand from a member of our Old West Trail Foundation that Mount Rushmore pictures were all over in this fair that they attended, and yet there was no place to see where it was from. We did not have any office there to tell the people how they could get to Mount Rushmore.

Of course, you know, our city of Sioux Falls, S. Dak., is the crossroads of America. We have the only interstate highway that goes from Canada to the Gulf of Mexico and from Boston to Seattle, and it crosses just west of Sioux Falls, S. Dak. Again, because of the lack of advertising and impetus on the part of our Government, these are some of the best-kept secrets.

I do not think many people in the world know that the only two mountain carvings are in South Dakota and as much as we spend of our tax dollars in South Dakota we cannot cover the international market.

Senator PRESSLER. Thank you very much. I have more questions. We are going to submit them in writing. We thank you very much for this excellent presentation. I think this panel has brought some very good ideas and good examples.

Next I will call on Panel 5, Mr. Berlyn Miller, Las Vegas Convention/Visitors Authority, Las Vegas, Nev.; Mr. Kenneth Char, president, Hawaii Visitors Bureau and a very good friend of the committee; and Joseph R. Stone, immediate past chairman, American Society of Travel Agents.

STATEMENT OF BERLYN MILLER, LAS VEGAS CONVENTION/VISITORS AUTHORITY; KENNETH CHAR, PRESIDENT, HAWAII VISITORS BUREAU; AND JOSEPH R. STONE, IMMEDIATE PAST CHAIRMAN, AMERICAN SOCIETY OF TRAVEL AGENTS

Mr. MILLER. Mr. Chairman, I am Berlyn Miller, vice chairman of the board of the Las Vegas Convention and Visitors Authority and, in the interest of time, I would only like to make one quick point.

That is that we in Nevada are by far the most effective at tourism than any State in the Union. Fifty-seven percent of our work force can be attributed to association with the tourism industry and we realize the importance of the foreign visitor. We realize that the foreign visitor stays longer and spends more money than the domestic traveler.

In 1981, the State of New York in a survey making a determination to advertize in South America, found that the South American tourist spent on the average 10 times per day what domestic tourists spend. And one of the major hotels in Las Vegas informs me that while the foreign visitor comprises about 20 percent of their total occupancy, they contribute between 50 and 60 percent of their gross revenues.

So that is how important the foreign visitor is to us. We have found that the USTTA has always been available and of great service to us in our marketing plans and our publicity and promotions of Las Vegas. We want to see you continue. We are going to have to get those additional sponsors you need.

Thank you.

[The statement follows:]

STATEMENT OF BERLYN MILLER, VICE CHAIRMAN OF THE BOARD, LAS VEGAS CONVENTION AND VISITORS AUTHORITY

Mr. Chairman, members of the committee, I am Berlyn Miller, vice chairman of the board of the Las Vegas Convention and Visitors Authority. I am also a member of the Board of Directors of the Las Vegas News Bureau whose job it is to place information and news stories about Las Vegas in the news media around the world. I am also a past president of the Greater Las Vegas Chamber of Commerce.

We in Nevada are deeply concerned about the proposed funding level for the USTTA. And are profoundly grateful to you gentlemen for your consideration to increase that level of funding.

We cannot allow this country to continue losing our market share of international vistitors. We have at stake a $12 billion a year export industry, the Nation's third largest according to the General Accounting Office. This export industry is by far the easiest one to increase, and you, gentlemen, have the opportunity to do just that.

In Nevada, tourism is our number 1 industry. Approximately 57 percent of Nevada's basic employment may be attributable to tourism. We in Nevada know the importance of the USTTA. We also know how important the foreign visitor is to our industry. We know the foreign visitor stays for a longer period of time and spends more money than the domestic traveler. In 1981 the New York State Department of Commerce in deciding to spend $1.5 million in South America to promote travel to New York stated their survey results showed that the average South American visitor's per day expenditure was 10 times that of the average domestic traveler. One major hotel in Las Vegas informs me that while foreign visitors amount to about only 20 percent of total customers, they contribute between 50 and 60 percent of their gross revenues.

In our dealings at the Las Vegas Convention and Visitors Authority and from the position of Las Vegas tourism interest the USTTA has been an extremely valuable asset in our efforts to continue positive publicity and marketing efforts.

In our many trips to foreign destinations to publicize and promote travel to Las Vegas, we have found almost exclusively a ready and total commitment by the

USTTA to assist in placing favorable publicity material in foreign media. This certainly is not limited to English speaking nations, nor to English publications or broadcast media. Our only problem is that in the last several years we have had less assistance because of the decline in funding for the overseas operations.

The lack of service makes it less attractive for us to spend more of our time and efforts to promote international travel. It is for this reason I believe that for every dollar the Government spends the private sector is encouraged to spend several times that amount.

Recent survey figures totally support the increasing desire of foreign travelers to visit the United States and these USTTA survey figures are a valuable asset to the marketing plans of Las Vegas, individual resorts, and convention and visitors authority as well as the Las Vegas News Bureau. I am sure this information is equally valuable to any operation using these survey results.

We in the United States have a rare opportunity in the next year and a half to promote an event that will draw many first time visitors to this country. That event is the 1984 olympic games. We must present information to encourage more foreign visitors to this event and the USTTA is the obvious agency to do this.

It is my opinion that with the vast new market potential available to us, we can sell the United States to millions of first time visitors who will not only become return visitors but will become live promoters for travel to the United States.

The funding of the USTTA is not a cost to the taxpayers of this country but an investment; an investment that will pay great dividends in jobs, sales, taxes and all the other benefits the travel industry offers this country.

While it is important that the Federal budget be brought into balance, it is also important that activities which will help stimulate the economy are not neglected. The increase in foreign travel to the United States will certainly be an economic boom. We must continue every effort at our disposal to positively promote foreign travel to the United States and we who are in the business of promoting travel must have the USTTA here, not to do our job but to supply us with information, contacts, and assistance. We are willing to do our share, is our Government willing to do their share?

We hope that the Congress of the United States will—as they have in the past—step forward and fund the USTTA. We ask that this Agency be funded at least at the level that you, Mr. Chairman, have recommended in your legislation.

If you have any questions I will be happy to try to answer them.

Thank you.

Senator PRESSLER. Thank you very much.

Mr. CHAR. Mr. Chairman, my name is Kenneth Char, president of the Hawaii Visitors Bureau. Again, in the interest of brevity, just let me summarize in just a minute some of the comments I have made in my statement.

In Hawaii, tourism is the number one industry. It represents 30 percent of our gross national product, provides employment of 140,000 people, representing one out of three every civilian jobs. It contributes to the State economy in tax revenue alone in excess of $450 million.

We have a mixture of visitors from overseas. We start off with a 60-percent base from the mainland United States. But 40 percent of our visitors come from the international market. Their spending habits, as we make these surveys on an annual basis, is about three times what the normal American visitor spends on a per day basis. The U.S. traveler spends $75 a day; foreign visitors, especially those from the Pacific countries, spend on an average of $194 per day.

We, because of our geographic location, have been hosting international tourism for many, many years. We strongly support S. 212 only because we have had the experience of spending dollars and getting enormous return. Last year the legislature gave the Hawaii Visitors Bureau an additional $1 million. We created an increase of 8 percent in our marketplace, 300,000 additional visitors. This was

an expenditure exceeding $225 million and mere tax revenue alone was up by $25 million. Tax enhancement was the key to our efforts.

We are pleased that the current legislation is considering doubling the present level budget because of its ability to generate jobs and tax benefits. Thank you.

[The statement follows:]

STATEMENT OF KENNETH F. C. CHAR, PRESIDENT, HAWAII VISITORS BUREAU

My name is Kenneth F. C. Char and I am president of the Hawaii Visitors Bureau. It is an organization presently in its 80th year of operation. As a visitors bureau, it is a unique, non-profit corporation supported by public and private funds; operated under an independent, elected Board of Directors; and charged as the official marketing agency for the State of Hawaii's tourism promotion.

I have been a member of the visitor industry for 24 years. Prior to joining the HVB, in 1981, I served as a Senior management official for Aloha Airlines, inlcuding 12 years as its president.

I am presently serving as a member of the Travel and Tourism Advisory Council of the Senate Committee on Commerce, Science and Transportation, and the Travel and Tourism Advisory Board of the U.S. Travel and Tourism Administration. I am also chairman of the Advisory Board of the School of Travel Industry Management, University of Hawaii.

The desire to travel is found among people of every culture on every continent. Attesting to this, total world spending for domestic and international travel is estimated to have reached $700 billion in 1981. This is about 6 percent of the Gross World Product when expressed in U.S. dollars. It is larger than the total Gross National Product of all countries except the United States, the United Kingdom, West Germany and Japan.

In the U.S., tourism ranks amongst the top three industries in 46 U.S. states and is going to increase in importance as America's economy continues to shift from producing goods to providing services. Services presently constitute 66 percent of the U.S. economy. More than 7 out of every 10 workers are employed in service industries.

This relates directly to the most important task presently facing our country in 1983, which is to find ways to reduce unemployment. It is obvious that most of the new jobs will be found in the service industries—and one of the largest service industries is the travel industry.

The economic importance of tourism can readily be seen, but what has the U.S. been doing to insure it gets its share of the international traveler.

There were some 294 million international arrivals throughout the world, and these travelers spend about $104 billion within the destination countries. Of these, the U.S. attracted a mere 7 percent and approximately 10 percent of the international visitor expenditures in 1982. For the first time in 20 years, the number of foreign visitors to the U.S. declined by 9 percent to approximately 20.5 million visitors, who spent approximately $10 billion.

This decline was caused, I believe, by a number of factors which include the sharp rise in the strength of the U.S. dollar, the soft world economy, and the major devaluation of the Mexican peso—all seriously compounded by the continuing decline of the U.S. Government's efforts to promote foreign visitor traffic due to inadequate funding of the United States Travel and Tourism Administration.

Despite Congressional intent to assist in the growth of tourism in the U.S. by its passage of the National Tourism Policy Act of 1981, we have seen a sharply reduced budget for USTTA. There has also been a number of important travel statistical services, which were supplied by the Census Bureau, eliminated. One of these of particular importance was the National Travel Survey.

Competition for a share of the world tourism pie has, in recent years, become more intense and sophisticated. The tourism marketing and promotion arm for the United States. USTTA, faces a formidable challenge and task in the world arena.

In my opinion, the present budget of $7.6 million for USTTA is totally inadequate for the U.S. to compete worldwide for a share of the most viable segment of the world's economy.

I strongly urge that the legislation, S. 212, introduced by Senator Larry Pressler to re-authorize the U.S. Travel and Tourism Administration for three years at $13 million, $14 million, and $15 million over the period by adopted.

Before closing, I would now like to use Hawaii as a case in point to illustrate the important of international tourism. Tourism is the No. 1 income-producing industry in the State of Hawaii, representing 30 percent of Hawaii State product.

In 1982, Hawaii hosted 4.2 million visitors—an increase of 8 percent compared to 1981—from all over the world. These visitors spent an estimated $3.5 billion and produced tax revenues to the State and counties of approximatley $420 million. The estimate for jobs generated was 140,000 or one out of every three civilian jobs. Hawaii, because of its geographic location, has been hosting international visitors for many years. Our present visitor mix is as follows:

	Visitors	Percent
U.S. mainland	2,559,000	60
Japan	718,000	17
Canada	318,000	8
Europe	114,000	3
Others (foreign)	231,000	5.5
Australia/New Zealand	273,000	6.5

As you can see our international visitors now represent 40 percent of our more than 4.2 million visitors to Hawaii. Our goal is to achieve a market mix of 50 percent U.S. mainland visitors and 50 percent international visitors. In order to achieve this objective, we are intensifying our marketing and promotion efforts in the international area. For example, we have recently added to our staff a representative in Hong Kong to cover the Far East areas not presently covered by our Tokyo office. Japan will continue to receive our strong attention but tourism from the entire Pacific Basin has shown increasing strength in recent years. The Hawaii State Legislature appropriated a supplementary $1,000,000 last year to the Hawaii Visitors Bureau with a mandate that we intensify developing new marketing and promotion in the Pacific.

In these efforts, as well as addressing the European and Canadian markets, the Hawaii Visitors Bureau works closely with USTTA. Such cooperative efforts have paid off handsomely for Hawaii in Japan which presently represents 17 percent of our visitor count.

Let me reiterate that competition is stiff and sophisticated in the marketplace and, if the United States is to get its fair share of international tourists, it is paramount that the Government supports the United States Travel and Tourism Administration. Projections for 1983 already show foreign visitors will further decline like in 1982, our first drop in in-bound travel in two decades.

In closing, I wish to thank Senator Larry Pressler and the members of the Commerce Committee's Travel and Tourism Industry Advisory Council in allowing me to testify. Mahalo and Aloha.

Senator PRESSLER. Joe?

Mr. STONE. Mr. Chairman, it is also nice to be last because I guess nobody can refute what I have to say, but I have been a travel agent for in excess of 40 years. I am Joseph R. Stone. Most recently, I completed two terms, the first one in history, with the American Society of Travel Agents, which includes 20,000 members in 128 countries.

I believe this qualifies me as an authority on the importance of the relationship between the flourishing tourism industry and the country's economy. We service 40 million Americans annually. Ninety-nine percent of our members are small business.

And many times, when I have been to another country, I have been asked: how can a country with so much to offer the foreign visitor spend so little to attract tourists to their country?

The rest of this is in my testimony, Mr. Chairman, but we have been asked by Brazil, Ireland, India, Portugal, the Philippines, Yugoslavia, Hungary, Spain, Italy, Jamaica, the Bahamas, and Mexico, and I will be leaving next month for Czechoslovakia and,

get this, to help their country develop tourism. We have never been asked by our Government how can we develop inbound tourism. Isn't it ridiculous that we have all the expertise here and yet it is being used to help overseas?

One little comment in closing, and I see time is against me, but I just recently, within the last 6 months, went to a reception held at the United Nations for the changing of the country of Zambia. They were promoting somebody from the Permanent Secretary to the United Nations to be Minister of Tourism, which means they place tourism ahead of their own United Nations.

What is there about our business that is so intriguing and has so much to offer? It is a nonpolluting industry. It is the only industry I know that can serve a job for any level of expertise—from the fellow doing the dishes in the kitchen to the general manager to one of the great hotels in America.

I would like to let you know that all an inbound tourist ever asks is a good experience. We ought to give it to him by giving him a lot of experience that we have to offer him. I wholeheartedly support you, Mr. Chairman, and S. 212.

Boy, I did it as fast as I could. Thank you.

[The statement follows:]

STATEMENT OF JOSEPH R. STONE, IMMEDIATE PAST CHAIRMAN, AMERICAN SOCIETY OF TRAVEL AGENTS, INC. (ASTA)

In my more than 40 year career as a travel agent, I have had the opportunity to visit most of the nations in the world at least once. Most recently, I completed two terms as chairman of the board of the American Society of Travel Agents, Inc. (ASTA), the world's largest travel trade organization with 20,000 members in 128 countries. I believe this qualifies me as an authority on the importance of the relationship between a flourishing tourism industry and a country's economy.

And that Senators, is the point of why I am testifying before you today. The question I have been most frequently asked by tourism officials in other nations is "how can a country with so much to offer the foreign visitor spend so little to attract tourists to their country?"

It is a question I am really at a loss to answer. When a country like Turkey can spend $52 million annually to promote tourism and ranks tops in the world, it is very hard to explain how the United States can rank only 28th in total expenditures. Why even the tiny African nation of Togo spent $26 million last year, making their tourism budget the 8th highest in the world.

The United States maintains only six overseas offices to attract the international visitors who spent $12 billion in this country last year alone. Our six offices compare very poorly to the 20 to 30 offices most countries have around the world.

The travel and tourism industry does not deserve the superficial image some lawmakers seem to have in their mind. Tourism is the second largest industry in the United States, surpassed only by retail food sales. Our industry created 18 percent of the total number of new jobs created in 1981. The industry contributes $18 billion in Federal and State tax revenues and $40 billion in annual wages and salaries. Most of these salaries were paid to blue collar workers who might otherwise be among the hard core unemployed.

The U.S. Travel and Tourism Administration has done an admirable job of competing for the attention and the dollars of international visitors. Through their organization of travel trade shows, familiarization tours, and travel trade seminars, they have motivated, educated, and supported the suppliers and sellers of travel to the United States.

USTTA has seen its staff and budget decimated during the past year. Their enviable record of success cannot be continued without the type of funding provided for in Senator Pressler's bill.

I urge you to open the door to foreign visitors by making it possible for USTTA to not only survive, but flourish. It will prove an investment that will yield dividends many times over, I can assure you.

Senator PRESSLER: You people did a great job. I should explain that presiding over the Senate is the duty of the majority and usually first-term Senators do it the most. When we are assigned, it is hard to not appear. I have still got 3 minutes to get there.

We do have several questions for this panel, but we will submit them to you for the record if that is agreeable.

I think we have covered all the subject matter this morning. I want to thank all the witnesses, everybody who has been so helpful. I am going to be meeting later today with the Senate Advisory Council.

I want to thank the minority for their cooperation and we will be sending a letter to OMB. I would predict that they will probably not be willing to appear, but we can certainly try because we do need to know more about what goes on in OMB and what their thinking is.

Is there anything more that we need to cover? With that, I will conclude this hearing and thank everyone.

[Whereupon, at 12:04 p.m., the subcommittee adjourned, to reconvene upon the call of the Chair.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF ROBERT E. JULIANO, LEGISLATIVE REPRESENTATIVE, HOTEL EMPLOYEES AND RESTAURANT EMPLOYEES INTERNATIONAL UNION, AFL-CIO

In behalf of general president Edward T. Hanley and the members of the Hotel Employee & Restaurant Employees International Union it is a pleasure to appear before your subcommittee today to testify in support of S. 212.

As an organization that has been deeply involved in tourism promotion we are pleased to support this piece of legislation which provides a 3-year authorization with appropriate funding levels for the U.S. Travel and Tourism Administration. The concept behind this legislation is sound. A 3-year authorization with the necessary funding will provide USTTA with the opportunity to develop a cohesive marketing program without worrying about what funding levels will be in effect in the next fiscal year, or whether or not there will even be a program in place.

We need these kinds of programs to have our great country become more competitive in the world tourism market, and consequently attract more visitors to America. This dovetails perfectly with the hundreds of millions of dollars spent by the private sector in tourism promotion, and statistics have proven the excellent rate of return for every dollar our Government spends in this area.

Most importantly, however, we view this as our jobs bill for 1983. At a time when our economy is still somewhat sluggish, we need to take every effort possible to maintain jobs in the tourism industry, and to add new jobs for these people who have been on the unemployment rolls for too long a period of time. Our Government could hardly make a wiser investment of its resources when we look at the rate of return, and more importantly the fact that the tourism industry provides jobs for skilled and semiskilled workers as well as women and minorities.

Following is a graph from the Bureau of Labor Statistics which shows the continued increase of employment in the service sector. What an ideal opportunity to begin to structure a new role for the Federal Government working together with labor and management to build solid programs which will capitalize on these employment trends:

WHERE THE JOBS WERE, ARE AND WILL BE

Our high-tech future doesn't mean that we'll be making the computerized machinery of the future. Instead, we'll work with machines made elsewhere—programming; repairing and finding new uses for them—continuing a trend away from goods-producing jobs and toward service jobs. The charts show percentage of the work force in each industrial category.

[In percent]

	1950	1980	1990
Service employment	51	69	71
Private services	39	52	55
Federal Government	4	3	3
State and local government	8	14	13
Goods-producing employment	49	31	29
Agriculture	14	4	2
Manufacturing, mining, construction	35	27	27

In closing we are pleased to support your efforts and the efforts of this distinguished committee for a program which is both necessary and timely. Our international union will do whatever we can do to support all of you in this effort.

Thank you for your time and consideration.

STATEMENT OF HUGH H. SMITH, SENIOR VICE PRESIDENT, GOVERNMENT AFFAIRS, AMERICAN EXPRESS CO.

My name is Hugh H. Smith, and I am Senior Vice President for Government Affairs of the American Express Co. We at American Express appreciate the opportunity to submit testimony in support of S. 212, which authorizes funds for the United States Travel and Tourism Administration (USTTA).

American Express operates the world's largest full-service travel company with more than 1,000 offices worldwide. It not only operates as a vacation, leisure, and commercial travel business, but also offers wholesale tour packages through both the American Express Travel Service office network and other independent travel agencies.

We continue to highlight the critical importance of tourism to our national life and to discuss the important question of how we can best develop a coherent national tourism policy and program which can bring additional prosperity to our people and credit to our country. It is vital that USTTA, the principal instrument of that policy, have adequate funding to develop such a policy.

We at American Express very much support our President's stated goal of improving our Nation's economy by reducing Government spending. Accordingly, we realize that the promotion of tourism to the United States from abroad is an activity which must compete with other worthwhile programs for the limited resources our Government is allocating to the nondefense area. Yet, our business experience has taught us that a reasonable investment in the promotion of tourism to our country, if properly managed, is one that will repay itself many times over through the multiplier effect it will have on increased employment and our international balance of payments.

The simple fact is that the overwhelming momentum, expertise, and cumulative experience in the U.S. travel and tourism industry is with outbound travel. The concept of promoting inbound tourism—with the United States as a destination for tourists—is still in its formative stages in this country. This is not, however, true in other countries. I refer you to the statement of the Travel and Tourism Government Affairs Policy Council (March 2, 1983) for its excellent discussion of the expenditures and results by other countries in their own promotion of inbound tourism. The simple truth is that to effectively compete, we must learn to compete—as has become traditional—at the governmental level. It is, perhaps, politically unfortunate that this fact is being urged at a time when most policymakers are looking for ways to relinquish Government involvement, not increase it. Nevertheless, Government promotion is necessary if we are to capture the market share we deserve.

Why is this important to the Nation as a whole? The tourism industry currently accounts for about 4.6 million directly related jobs, and another 3.2 million indirectly related positions. It should be stressed that these positions are held by people at all levels of skill—particularly women and minorities. Also, tourism generates about $40 billion per year in wages and salaries, and, in 1981 alone, tourism brought in over $1.1 billion in Federal, State, and local tax revenues. But, in 1982, inbound tourism to the United States declined. This meant a loss of about 28,460 jobs in the tourism sector and a decline in Federal, State, and local government revenues of about $45 million. We need those jobs and those revenues.

The argument that the promotion of inbound tourism is a job that is being adequately done by, and should therefore be left exclusively to, the private sector, is one which at first glance appeals to us in private enterprise. Unfortunately, the historical development of, and current situation in, the U.S. travel and tourism industry make this argument specious. The solution to our private-sector/public-sector cooperative effort is far more complicated than is implied by a simple division of labor between the Government and private business.

It should be noted that the USTTA competes with other governments for the tourism dollar. In 1976, the United States held a 13 percent market share of the world tourism industry, but as of yearend 1983, that figure will have dropped to 10.1 percent. Further, in 1980, the United States ranked 25th among all countries in the level of national government spending on tourism—well behind Korea, the United Kingdom, Canada, Syria, Japan, and Venezuela, to name just a few countries. And, on a per capita basis for promotional spending in 1981, the United States ranked 56th among nations. The intriguing fact remains that each dollar invested in tourism brings a strong $18.60 in return. Government funding for tourism, then, is not only a wise investment, it would allow the United States to regain its share of the world market, and would promote the competitive spirit on which this country was built.

The market is ripe for much more effort from both the public and private sectors. We, at American Express, believe that adequate funding for the USTTA represents the beginning of an expression of a clear national interest to use the mighty power of tourism as a conscious instrument of economic benefit to our country, and as a source of a national pride in our Nation's culture and beauty.

Equally important is the assurance that USTTA programs are thoughtfully developed and adequately led and staffed by the best talent in the Nation, and that these able people will be supported by a Congress and a public determined that our Nation will do no less to encourage visitors from abroad than our great country merits.

AMERICAN HOTEL AND MOTEL ASSOCIATION,
Washington, D.C., March 2, 1983.

Hon. LARRY PRESSLER,
Chairman, Subcommittee on Business, Trade and Tourism,
U.S. Senate, Washington, D.C.

DEAR SENATOR PRESSLER: The American Hotel and Motel Association formally acknowledges its support of the testimony presented today by AH&MA Treasurer, Howard James. As a member of the Travel and Tourism Government Affairs Council, we also wish to be associated with the statement presented on the Council's behalf.

AH&MA has long been supportive of a Federal role in international tourism promotion. We concur with your view that the funding of USTTA is an investment with a positive return to the Federal coffers. As Mr. James explained, the job-creation potential in the lodging industry is enhanced by Federal recognition and support of tourism. Your proposal in S. 212 is an excellent point to begin insuring that return on investment which is essential to the American economy.

Sincerely,

ALBERT L. MCDERMOTT,
Washington Representative.

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ERRATA

U.S. Travel and Tourism Administration Authorization

The Senate Commerce, Science, and Transportation Committee hearing re the "U.S. Travel and Tourism Administration Authorization" was inadvertently not assigned a publication number.

The correct designation is S. Hrg. 98–30.

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S261-28